THE CO- OPERATIVE WHOLESALE ESTABLISHMENT

Financial Statements

For the Year Ended

2018.12.31

CONTENTS

Co-operative Wholesale Establishment

Board of Directors and Executive Officers - 2018

Chairman	-	Mr. Mohemad Rizwan Hameem (To 12.11.2018)
	-	Mr. Lakmal Rathnayaka (From 16.11.2018 to 31.12.2018)
Vice Chairman	-	Mr. Mohemad Nazeer Nazeer (To 12.11.2018)
	-	Mr. Shaheed Khan (From 16.11.2018 to 31.12.2018)
Directors	-	Mrs. Sheetha Senarathna Director (Ministry Representative) Additional Secretary (Commerce) (Ministry of Industry and Commerce) (Retired from public service on 15.08.2018)
	-	Mr. H.G.Sumanasinghe Director (Treasury Representative) Director General Department of Management Services Ministry of Finance and Media (From 16.01.2018)
	-	Mr. D.Jeewanathan
	-	Mr. M.S.K.Kumarawardhana
	-	Mr. P.L.Thirimanna
	-	Mr. S.F.M.Ramesh
General Manager (Actg.)	-	Mr. Vipula Kithsiri Silva

Auditors	-	**Auditor General**
Bankers	-	**Bank of Ceylon** **People's Bank** **Commercial Bank** **Sampath Bank**
Registered Office	-	**No. 27, Vauxhall Street, Colombo 02**

Chairman's Message

I wish to present the Annual Report of the Co-operative Wholesale Establishment (CWE) prepared for the year ended as at 31st December 2018 inclusive of the financial statements on behalf of the Director Board of CWE.

The key objective of the Cooperative Wholesale Establishment is to avoid shortage of essential food items within the local market it is carried out with the intervention of the government. In achieving this objective the major intention of the institute is not to earn profit, but to fix a relief price for the public when purchasing goods and services. In achieving this, the institute has to face financial difficulties when taking fair measures towards farming community and the intervention of the treasury restrain such situations. CWE has been working during the last few decades and rendered a yeoman service to the farming community and general public as well.

Under these circumstances, the institution has leased out its fixed assets to public or private sector institutes and substantially contributes to cover around 75% of employee salaries out of the rental being earned.

It should be noted that at the first stage of the Covid 19 pandemic prevailed from March to May 2020, CWE delivered a great service in collaboration with the Food Commissioner's Department on the directions of the Ministry of Internal Trade, Food Security and Consumer Welfare.

CWE had taken action to prevent occurring of a shortage of rice by processing stocks of paddy owned by the Paddy Marketing Board and distributing rice in the local market at a fair price through the marketing network of Lanka Sathosa on the recommendations and the directives of the Cabinet Subcommittee on Cost of Living and to prevent shortage of rice in the local market during the years of 2017 and 2018 and to fix a certified price for rice by importing around 110,000 MT of rice on the advice of the said committee.

The CWE has engaged in the national mission of playing the significant role of mediator between the government and the consumers of Sri Lanka.

Eventually, I make this an opportunity to extend my sincere thanks to HE the President of Democratic Socialist Republic of Sri Lanka, Hon. Prime Minister, Hon. Minister of the Ministry of Trade and the Cabinet of Ministers. Further, I pay my gratitude to the Secretary and the officers of the Ministry of Trade, officers of the General Treasury and the members of the Board of Directors for their invaluable assistance.

Further, I would like to make this an opportunity thank the staff together with the Senior Executive Officers who urged make this process a success.

Thushara Dissanayake
Chairman

Report of the Directors of Co-operative Wholesale Establishment for the Year ended as at 31st of December 2018

In terms of section 14 of Finance Act No. 38, the Board of Directors herewith present the annual report of Corporative and Wholesale Establishment (CWE) for the year ended as at 31.12.2018.

General Matters:

Primary Activities

Corporative and Wholesale Establishment (CWE) (more populated as Sathosa) established by the Act No. 7 of 1949, started its business from 01st July 1950 utilizing the amount of One Million Rupees invested by the government.

At the beginning, the key objective of CWE was to play as a wholesale and retail establishment of selling essential commodities.

However, subsequent to the volunteer compensation scheme presented in 2004 and 2006 due to the financial difficulties when involving in business activities for the well-being of the consumers and the farming community of Sri Lanka more than 50 years, it stands for facilitating Lanka Sathosa. Presently, the institute is engaged in activities on the instructions of the Cabinet Subcommittee Cost of Living with the mediation of the government and services such as transport and storage facilities are provided.

01. Review of Business Activities

Under the comments of the Chairman, which is a part of the Directors' 'Report present status of the institution has been described.

Accordingly, the major way of income generation of the institute at present is to rent out the property of the institution to Lanka Sathosa and other public and private institutions and it has been further developed by entering into new agreements.

02. Cadre Analysis as at 31.12.2018

	Permanent	Casual	Contract
1. Executive	12	-	03
2. Clerical and parallel grades	36	01	03
3. Other supportive grades	281	-	119

03. Cases filed against the institute as at 31.12.2018

Court	Cases filed as at 31.12.2018	Cases filed in 201	Total number of cases filed in 2018	Cases finalized in 2018	Cases which are being further on trial
High Court	04	01	05	01	04
District Court	06	-	06	-	06
Magistrate Court	04	02	06	-	06
Labour Tribunal	04	01	05	01	04
Labour Inquiries	08	-	08	-	08
Arbitrations	01	-	01	-	01
Lay by cases	03	-	03	-	03
Appeal Cases	02	01	03	-	03

04. Going Concern Concept

Going Concern of the institute is assessed by the management of the institute and I wish to state that it could be satisfied with the available resources of the institute to continue business activities achieving the expected future goals.

In the years 2017/2018, the corporation had to import rice at a price less than the cost upon the requirement of the government and arrangements have been made by the Treasury to settle the loan to be paid to the People's Bank in 60 installments from July 2021. Legal action has been taken against the parties concerned to recover the due balance to the corporation. Lanka Sathosa has started repayment of money on 15.11.2021 for rice purchased from the corporation under the above project.

Regular attention of the management is on the going concern of the corporation and I wish to state that every possible effort is taken to make use of resources to the maximum on the instructions on the Treasury and the Ministry of Trade.

05. Auditors

In terms of the Finance Act No. 38 of 1971, to be read with Section 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka the auditor of the institute is the Auditor General of the Government.

06. We make this opportunity to pay gratitude to HE the President, Hon. Prime Minister, Hon. Minister of Trade, Secretary to the Ministry and all the officers of the Ministry for giving valuable guidance and assistance and extend our sincere thanks to all the staff of the Ministry of Finance, General Treasury and other Ministries for their assistance given in the year under review.

Our most important resource is the staff. We wish to thank them for serving us during the year under review.

We also extend our sincere thanks to Board of Directors for playing a main role for our valued customers being with us. Further, our appreciations are with various statutory institutions, private institutions and our bankers.

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT (CWE)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER	Note	Group 2018	Group 2017 (Re-stated)	CWE 2018	CWE 2017
Revenue	3	1,156,356,349	2,854,384,271	915,286,497	2,644,505,918
Cost of Sales	4	(861,206,800)	(2,825,517,997)	(647,359,927)	(2,651,287,822)
Gross Profit / (Loss)		**295,149,549**	**28,866,273**	**267,926,570**	**(6,781,905)**
Other Operating Income	5	(2,163,818,182)	488,139,596	(2,160,244,227)	489,707,718
Administrative Expenses	6	(369,256,211)	(396,109,122)	(342,156,038)	(359,965,298)
Selling and Distribution Expenses		(675,193)	(343,242)	-	-
Reversal / (Provisions) for Impairment	33	154,800	(2,852,000)	154,800	(2,852,000)
Profit / (Loss) from Operation		**(2,238,445,237)**	**117,701,506**	**(2,234,318,895)**	**120,108,516**
Finance Income	7	4,155,785	6,513,088	748,663	2,237,692
Finance Cost	7	(2,874,785)	(11,254,738)	(2,874,785)	(11,254,738)
Profit / (Loss) Before Taxation		**(2,237,164,237)**	**112,959,857**	**(2,236,445,017)**	**111,091,470**
Income Tax Expense	8	(963,154)	(6,122,269)	-	(5,000,000)
Profit / (Loss) for The Year		**(2,238,127,390)**	**106,837,587**	**(2,236,445,017)**	**106,091,470**
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income / (Expense) for the Year		**(2,238,127,390)**	**106,837,587**	**(2,236,445,017)**	**106,091,470**
Attributable to:					
- Equity Holders of the Parent		(2,238,127,390)	106,837,587	(2,236,445,017)	106,091,470
- Non-Controlling Interest		-	-	-	-

Figures in brackets indicate deductions

Notes to the Financial Statements on Pages 6 to 44 form an integral part of these Financial Statements.

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT (CWE)
STATEMENT OF FINANCIAL POSITION

(Expressed in Sri Lankan Rupees)

AS AT 31 DECEMBER	Note	Group 2018	Group 2017 *(Re-stated)*	CWE 2018	CWE 2017
ASSETS					
Non-Current Assets					
Property , Plant and Equipment	9	1,165,784,430	1,220,897,613	1,163,127,527	1,218,566,551
Investment Properties	10	5,267,725,504	5,308,580,047	5,267,725,504	5,308,580,047
Leasehold Lands	11	1,448,663	773,704	1,448,663	773,704
Intangible Assets	12	2,303,245	2,773,636	2,303,245	2,773,636
Investment in Subsidiaries	13	-	-	20	20
Other Investments	14	77,115,587	73,004,390	32,722,560	32,722,560
Advances for Investments	15	98,909,871	98,909,871	98,909,871	98,909,871
Total Non-Current Assets		**6,613,287,300**	**6,704,939,261**	**6,566,237,390**	**6,662,326,389**
Current Assets					
Inventories	16	153,520,484	5,111,039,251	153,520,484	5,111,039,251
Trade and Other Receivables	17	721,525,003	1,730,979,355	448,260,842	1,388,953,638
Receivables from Special Projects / Services	18.1	3,715,578,387	1,298,388,617	3,715,578,387	1,298,388,617
Receivable from the Treasury	19	297,544,962	153,038,180	297,544,962	153,038,180
Other Non-Financial Assets	20	2,751,295	7,083,237	2,751,295	7,083,238
Cash and Cash Equivalents	21	322,606,351	421,361,312	252,227,453	349,195,526
Total Current Assets		**5,213,526,482**	**8,721,889,953**	**4,869,883,423**	**8,307,698,450**
Total Assets		**11,826,813,782**	**15,426,829,214**	**11,436,120,813**	**14,970,024,839**
EQUITY AND LIABILITIES					
Equity					
Contributed Capital	22	4,398,056,590	4,398,056,590	4,398,056,590	4,398,056,590
Reserves	23	8,747,626,148	8,747,626,148	8,747,626,148	8,747,626,148
Retained Earnings *(at debit)*		(14,404,021,440)	(12,161,588,393)	(14,462,022,678)	(12,220,333,960)
Equity Attributable to Equityholders of the Parent		**(1,258,338,703)**	**984,094,345**	**(1,316,339,940)**	**925,348,778**
Non - Controlling Interest		-	-	-	-
Total Equity		**(1,258,338,703)**	**984,094,345**	**(1,316,339,940)**	**925,348,778**
Non-Current Liabilities					
Payables to Treasury	24	4,929,286,565	4,929,286,565	4,929,286,565	4,929,286,565
Retirement Benefits Obligation	25	45,830,608	44,053,023	38,780,130	41,425,477
Finance Lease Obligation - (Non-Current Portion)	27	48,125,291	8,035,318	48,125,291	8,035,318
Total Non-Current Liabilities		**5,023,242,464**	**4,981,374,906**	**5,016,191,986**	**4,978,747,360**
Current Liabilities					
Trade and Other Payables	28	591,120,258	1,013,640,678	336,839,499	684,371,254
Payables for Special Projects / Services	18.2	1,359,698,461	3,589,243,208	1,359,698,461	3,589,243,208
Bank Borrowings - (Current Portion)	26	5,648,183,221	4,316,790,649	5,648,183,221	4,316,790,649
Finance Lease Obligation - (Current Portion)	27	4,886,963	73,968,930	4,886,963	73,968,930
Other Non-Financial Liabilities	29	452,954,698	458,155,186	381,594,203	392,997,954
Bank Overdrafts	21	5,066,420	9,561,312	5,066,420	8,556,706
Total Current Liabilities		**8,061,910,021**	**9,461,359,963**	**7,736,268,767**	**9,065,928,701**
Total Equity and Liabilities		**11,826,813,782**	**15,426,829,214**	**11,436,120,813**	**14,970,024,839**

The Board of Directors is responsible for the preparation and presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. These Financial statements were approved by the Board of Directors and signed on their behalf.

.... VC
Director

....
Accountant

....
Director

....
Chairman

Date : 07-04-2021
Colombo.

Figures in brackets indicate deductions

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT (CWE)
STATEMENT OF CHANGES IN EQUITY

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER 2018

Group		Contributed Capital	Capital Reserve	General Reserve	Loan Redemption Reserve	Vehicle Replacement Reserve	Revaluation Reserve	Restructuring Reserve	Retained Earnings *(at bebit)*	Total *(Re-stated)*
Balance as at 01 January 2017		4,398,056,590	32,444,879	94,477,411	300,289,603	72,218,000	6,741,632,672	1,506,563,583	(11,970,342,803)	1,175,339,935
Prior Year Adjustments		-	-	-	-	-	-	-	(26,194)	(26,194)
Balance as at 01 January 2017 ***(Re-stated)***		4,398,056,590	32,444,879	94,477,411	300,289,603	72,218,000	6,741,632,672	1,506,563,583	(11,970,368,997)	1,175,313,741
Prior Year Adjustments	Note I	-	-	-	-	-	-	-	(298,384,477)	(298,384,477)
Recognition of Unrecorded Bank Balances	Note II	-	-	-	-	-	-	-	327,494	327,494
Total Comprehensive Expense for the Year		-	-	-	-	-	-	-	106,837,587	106,837,587
Balance as at 31 December 2017		4,398,056,590	32,444,879	94,477,411	300,289,603	72,218,000	6,741,632,672	1,506,563,583	(12,161,588,393)	984,094,345
Prior Year Adjustments	Note I	-	-	-	-	-	-	-	(4,305,657)	(4,305,657)
Total Comprehensive Expense for the Year		-	-	-	-	-	-	-	(2,238,127,390)	(2,238,127,390)
Balance as at 31 December 2018		4,398,056,590	32,444,879	94,477,411	300,289,603	72,218,000	6,741,632,672	1,506,563,583	(14,404,021,440)	(1,258,338,703)

Note I:
Prior year adjustment represents, correction of carrying values of other un-recognised operational expenses relating to previous years.

Note II:
Certain bank balances, current account and deposits which have been omitted from the financial statements in previous years were identified and reported during the year 2017 under cash and cash equivalents. No Such balances were found during the current year.

Figures in brackets indicate deductions

Notes to the Financial Statements on Pages 6 to 44 form an integral part of these Financial Statements.

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT (CWE)
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

(Expressed in Sri Lankan Rupees)

CWE		Contributed Capital	Capital Reserve	General Reserve	Loan Redemption Reserve	Vehicle Replacement Reserve	Revaluation Reserve	Restructuring Reserve	Retained Earnings (at bebit)	Total
Balance as at 01 January 2017		**4,398,056,590**	**32,444,879**	**94,477,411**	**300,289,603**	**72,218,000**	**6,741,632,672**	**1,506,563,583**	**(12,032,034,219)**	**1,113,648,519**
Prior Year Adjustment	Note I	-	-	-	-	-	-	-	(294,718,705)	(294,718,705)
Recognition of Unrecorded Bank Balances	Note II	-	-	-	-	-	-	-	327,494	327,494
Total Comprehensive Expense for the Year		-	-	-	-	-	-	-	106,091,470	106,091,470
Balance as at 31 December 2017		**4,398,056,590**	**32,444,879**	**94,477,411**	**300,289,603**	**72,218,000**	**6,741,632,672**	**1,506,563,583**	**(12,220,333,960)**	**925,348,778**
Prior Year Adjustment	Note I	-	-	-	-	-	-	-	(5,243,701)	(5,243,701)
Total Comprehensive Expense for the Year		-	-	-	-	-	-	-	(2,236,445,017)	(2,236,445,017)
Balance as at 31 December 2018		**4,398,056,590**	**32,444,879**	**94,477,411**	**300,289,603**	**72,218,000**	**6,741,632,672**	**1,506,563,583**	**(14,462,022,678)**	**(1,316,339,940)**

Note I:
Prior year adjustment represents, correction of carrying values of other un-recognised operational expenses relating to previous years.

Note II:
Certain bank balances, fixed deposits which have been omitted from the financial statements in previous years were identified and reported during the year 2017 under cash and cash equivalents. No such balances were found in the current year.

Figures in brackets indicate deductions

Notes to the Financial Statements on Pages 6 to 44 form an integral part of these Financial Statements.

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT (CWE)
STATEMENT OF CASH FLOWS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER	Note	Group 2018	Group 2017 (Re-stated)	CWE 2018	CWE 2017
Cash Flows from Operating Activities					
Profit / (Loss) Before Taxation		(2,237,164,237)	112,959,857	(2,236,445,017)	111,091,470
Adjustments for;					
Depreciation		113,548,231	135,673,286	112,701,194	135,135,639
Amortization of Intangible Assets		470,391	421,906	470,391	421,906
Amortization of Leasehold land		(674,959)	755,811	(674,959)	755,811
Net Profit on Disposal of Property, Plant and Equipment		(2,733,000)	(8,263,477)	(2,733,000)	(8,263,477)
Gratuity Charge for the Year		7,301,023	12,448,082	537,402	10,760,582
Reversal / (Provisions) for Impairment		(154,800)	2,852,000	(154,800)	2,852,000
Prior Year Adjustments		(4,305,657)	(298,056,983)	(5,243,701)	(294,391,211)
Interest Expense		2,874,785	24,627,729	2,874,785	24,627,729
Interest Income		(4,155,785)	(6,513,088)	(748,663)	(2,237,692)
Operating Profit / (Loss) Before Working Capital Changes		**(2,124,994,007)**	**(23,094,878)**	**(2,129,416,368)**	**(19,247,244)**
Changes in Working Capital					
Inventories		4,957,518,767	(5,080,877,937)	4,957,518,767	(5,080,877,937)
Trade and Other Receivables		1,009,609,152	(1,310,418,495)	940,847,596	(1,040,828,285)
Receivables / Payables from Special Projects / Services		(4,646,734,517)	2,104,377,687	(4,646,734,517)	2,104,377,688
Receivable from the Treasury		(144,506,782)	-	(144,506,782)	-
Other Non-Financial Assets		4,331,943	(5,022,774)	4,331,941	(5,022,774)
Trade and Other Payables		(422,520,421)	336,728,796	(347,531,756)	104,136,594
Other Non-Financial Liabilities		33,487,480	75,313,515	23,246,832	42,831,878
Cash Generated from / (used in) Operations		**(1,333,808,385)**	**(3,902,994,087)**	**(1,342,244,286)**	**(3,894,630,081)**
Taxes Paid		(39,651,122)	189,482,816	(34,650,583)	190,666,782
Gratuity Paid		(5,523,439)	(2,583,642)	(3,182,750)	(2,555,342)
Interest Paid		(574,922)	(9,160,454)	(574,922)	(9,160,454)
Net Cash Flow from / (used in) Operating Activities		**(1,379,557,867)**	**(3,725,255,367)**	**(1,380,652,541)**	**(3,715,679,095)**
Cash Flows from Investing Activities					
Acquisition of Property, Plant and Equipment		(17,580,505)	(6,714,413)	(16,407,627)	(4,792,909)
Acquisition of Intangible Assets		-	(605,860)	-	(605,860)
Proceeds from Disposals of Property, Plant and Equipment		2,733,000	69,622,852	2,733,000	69,622,852
Net Investment In Fixed Deposits / Interest Received		44,588	90,316,715	748,663	2,237,692
Net Cash Flow from / (used in) Investing Activities		**(14,802,917)**	**152,619,294**	**(12,925,964)**	**66,461,774**
Cash Flows from Financing Activities					
Net Proceeds from Borrowings		1,331,392,572	4,109,030,159	1,331,392,572	4,109,030,159
Net Settlements of Finance Lease		(31,291,856)	(141,007,839)	(31,291,856)	(141,007,839)
Net Cash from / (used in) Financing Activities		**1,300,100,715**	**3,968,022,321**	**1,300,100,717**	**3,968,022,320**
Net Changes in Cash and Cash Equivalents During the Year		**(94,260,069)**	**395,386,249**	**(93,477,789)**	**318,804,999**
Cash and Cash Equivalents at Beginning of the Year		411,800,000	16,413,751	340,638,820	21,833,821
Cash and Cash Equivalents at End of the Year	21	**317,539,931**	**411,800,000**	**247,161,031**	**340,638,820**

Figures in brackets indicate deductions

Notes to the Financial Statements on Pages 6 to 44 form an integral part of these Financial Statements.

1. CORPORATE INFORMATION

1.1 REPORTING ENTITY

The Co-Operative Wholesale Establishment (CWE) is a public establishment established under the Co-Operative Wholesale Establishment Act No. 47 of 1949. The registered office and the principal place of business of the CWE are situated at No. 27, Vauxhall Street, Colombo 02.

The consolidated financial statements of the CWE for the year ended 31 December 2018 comprise the financial information of the CWE and its subsidiaries (together referred to as the "Group").

The CWE had 436 employees at the Permanent Carders, 1 Casual Worker and 108 Contract Workers at the end of the reporting financial year.

The CWE had 353 employees at the Permanent Carders, 1 Casual Worker and 175 Contract Workers at the end of the previous financial year.

1.2 Principal Activities and Nature of Operations

1.2.1 Parent Company

The principal activity of CWE is providing wholesale and retail facilities of essential food items to consumers in Sri Lanka, providing milling facilities and transport facilities to Lanka Sathosa Limited.

1.2.2 Subsidiary Companies

CWE Economic Centre Services (Pvt) Ltd

The principal activities of the Company is providing security and janitorial services.

CWE Construction and Engineering (Private) Limited

The principal activities of the Company is acceptance of Construction Projects awarded by the Government of Sri Lanka & execution of such constructions through subcontractors. In addition, Company engages in supplying of fixed assets (Generators, Coolers, Racks, Scales, Name boards, etc..) to Lanka Sathosa outlets island wide.

There were no significant changes in the nature of the principal activities of the CWE and Group during the financial year under review.

1.3 Reporting Date

CWE's financial reporting period ends on 31 December and financial reporting period of subsidiary companies ends on 31 March. However, for the purpose of the consolidation, subsidiaries prepare separate financial statements for the period end 31 December.

1.4 Date of Authorization for Issue

The Consolidated Financial Statements were authorized for issue by the Board of Directors on 31.03.2021.

2. BASIS OF PREPARATION

2.1. Statement of Compliance

The consolidated and separate financial statements comprise the statement of financial position, statement of comprehensive income, Consolidated statement of changes in equity and statement of cash flows together with the notes ("Financial Statements") of the Group as at 31 December 2018 and for the year then ended, comply with the Sri Lanka Accounting Standards (SLFRSs / LKASs) as laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007.

2.2. Management's Responsibility for financial statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Group as per the provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards (SLFRSs / LKASs).

2.3. Foreign Currency Translation

2.3.1. Functional and Presentation Currency

Transaction and balances included in the financial statements of the Group and company are measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Sri Lanka Rupees (LKR), which is the company's presentation currency.

2.3.2. Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

Translation differences related to changes in amortized cost are recognized in the statement of comprehensive income.

2.4. Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard - LKAS 1 on 'Presentation of Financial Statements' and amendments thereto.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Group and the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.5. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to settle the liabilities simultaneously. Income and expenses are not offset in the income statement, unless required or permitted by Sri Lanka Accounting Standards (SLFRSs/LKASs) and as specifically disclosed in the Significant

2.6. Going Concern

The Management has made an assessment of its ability to continue as going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties related to event or conditions that may cast significant doubt upon the Group's/Company's ability to continue to be prepared on a going concern basis.

2.7. Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for the following material items in the Statement of Financial Position.

- Property, Plant and Equipment and Investment Properties are measured at fair value.
- Financial Assets and Financial Liabilities that have been measured at fair value.
- Defined benefit obligation is measured at its present values, based on the projected unit credit method.

2.8. Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee,
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting right.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the no controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Loss of Control
If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, no controlling interest and other components of equity while any resultant gain or loss is recognized in the income statement. Any investment retained is recognized at fair value.

The total profits and losses for the year of the Company and of its subsidiaries included in consolidation are shown in the consolidated income statement and consolidated statement of comprehensive income and all assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the consolidated statement of financial position.

Non-controlling Interest (NCI)
Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the consolidated income statement and statement of comprehensive income and as a component of equity in the consolidated statement of financial position, separately from equity attributable to the shareholders of the parent. The consolidated statement of cash flow includes the cash flows of the Company and its subsidiaries.

Transactions Eliminated on Consolidation
All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.9. Use of Estimates and Judgments
The preparation of financial statements requires directors to make adjustments, assumptions and use assumptions in measuring items reported in the financial statements. These statements are based on management's knowledge of current facts and circumstances and assumptions based on such knowledge and exceptions of future events. Actual result may always differ from such estimates.

The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.10.

2.10. Significant Accounting Estimates and judgments
When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

I. The following are significant judgments in applying the accounting policies that have most significant effect on the financial statements.

(a) Recognition of Deferred Tax Assets
The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilized.

II. Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below:

(a) Useful Life Time of Depreciable Assets
Management reviews its estimate of the useful lifetime of depreciable assets at each reporting date, based on the expected economic utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

(b) Defined Benefit Plan
The present value of the defined benefit plan obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost and obligation for defined benefit plan including the discount rate are disclosed in the note 25 Any changes in these assumptions will impact the carrying amount of defined benefits obligation.

(c) Provision for Expected Credit Losses of Trade Receivables and Contract Assets
The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

2.11. Comparative Information
The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year. However, the Group has not restated comparative figures within the scope of SLFRS 9 and SLFRS 15.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Changes in Accounting Policies
The accounting policies adopted in the preparation of the Financial Statements are consistent with those followed in the previous financial year, except for the adoption of new standards effective as of 01 January 2018.

The Group applied SLFRS 15 and SLFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described in note no 38.

3.2. Financial Instruments

3.2.1. Financial Assets

3.2.1.1. Policy Applicable before 01 January 2018
(a) Classification
The Group determines the classification of its financial assets at initial recognition and classifies its financial assets as follows:

I. Loans and Receivables
II. Available for Sale Financial Assets (AFS)

I. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, investments in term deposits, advances & refundable deposits, amounts due from related parties, loan to related party and cash and cash equivalents in the end of reporting period.

II. Available for Sale Financial Assets (AFS)

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Available for sale financial assets comprise of long term quoted equity investments.

(b) Recognition and Initial Measurement

Financial assets classified as loans and receivables are recognized on the date on which the Group originates the transaction. Other financial assets are recognized on the trade-date on which the Group becomes a party to the contractual provision of the financial instrument.

A financial asset is measured initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial assets.

(c) Subsequent Measurement

I. Loans and Receivables

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less provision for impairment.

II. Available for Sale Financial Assets (AFS)

After initial recognition, quoted equity investments classified as AFS financial assets are measured at fair value. Changes in the fair value of AFS financial asset are recognized in other comprehensive income and presented as available for sale reserve in the statement of changes in equity. Unquoted equity investments, which are Group's strategic investments are measured at cost less any Impairment losses, as currently its fair value cannot be estimated reliably.

(d) Impairment of Financial Assets

I. Assets carried at Amortized Cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For loans and receivables carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial assets is reduced and the amount of the loss is recognized in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

II. Available for sale Financial Assets (AFS)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. For quoted equity investments, a significant or prolonged decline in the fair value of the investments below its cost is also evidence that the assets are impaired. If any such evidence exists for the quoted investments, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized in profit or loss is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale are reversed through profit or loss. The amount of reversal is recognized in the other comprehensive income.

For unquoted equity investments, a significant or prolonged decline in the value of the investments below its cost is also evidence that the assets are impaired. If any such evidence exists for the unquoted investments, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

3.2.1.2. Policy Applicable after 01 January 2018

a. Financial Instruments – Initial Recognition and Subsequent Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

I. Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVTOCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under SLFRS 15. Refer to the accounting policies in section for the Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial Assets Measured at Amortized Cost

A financial asset that meets both the following condition is classified as a financial asset measured at amortized cost.

The financial asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows.

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction cost directly attributable to the asset. After initial recognition, carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Business model Assessment of Financial Assets

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
  - how the performance of the portfolio is evaluated and reported to the Group's management
  - the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
  - how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
  - The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets -Assessment whether Contractual Cash Flows are Solely Payments of Principal and Interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par-amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

b. De-recognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

  (a) The Group has transferred substantially all the risks and rewards of the asset, or
  (b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

c. Impairment of Financial Assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt instruments, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Notes to the Financial Statements Continued

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

To determine if there is a change in default risk, following factors are considered;

- External credit rating of the financial asset
- Downgrade of internal credit rating
- Operating results, such as decrease in sales, decrease in working capital, asset deterioration and increase in leverage
- Reduced financial support from the parent company or associated companies
- Delinquencies (Overdue information)

3.2.2. Financial Liabilities

Policy Applicable before 01 January 2018

The Group classifies financial liabilities into other financial liabilities. The Group's other financial liabilities include trade and other payables, interest bearing loans amounts due to related parties. The other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Policy Applicable after 01 January 2018

a. **Recognition and Measurement of Financial Liabilities**
The Group recognizes financial debt when the Group becomes a party to the contractual provisions of the instruments. The measurement of financial debt is explained in (b) Classification of financial liabilities.

b. **Classification of Financial Liabilities**
Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held – for – trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

c. **De-recognition of Financial Liabilities**
The Group derecognizes a financial liability when the financial liability is distinguished, i.e. when the contractual obligation is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

d. **Offsetting of Financial Instruments**
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

3.3. Fair Value Measurement

The Group measures financial instruments and certain non-financial assets at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

External values are involved for valuation of significant assets, such as investment properties and property, plant and equipment.

3.4. Assets and Bases of Their Valuation

Assets classified as current assets on the Statement of Financial Position are cash and bank balances and those which are expected to be realized in cash during the normal operating cycle or within one year from the Statement of Financial Position date, whichever is shorter.

3.4.1. Property, Plant and Equipment

3.4.1.1. Recognition and measurement

Property, Plant and Equipment are initially recognized at cost including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the management.

Property, Plant and Equipment of the Group were carried at revalued amount in the statement of financial position. The Group has elected revalued amount of property, plant and equipment as deemed cost at the date of the revaluation. Accordingly, the property, plant and equipment are stated at deemed cost less accumulated depreciation and any accumulated impairment losses.

3.4.1.2. Subsequent expenditure and replacement

Subsequent costs are included in the asset's carrying amount or recognized as an asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

3.4.1.3. Depreciation

Land is not depreciated, depreciation on other assets is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

Assets Category	Useful Lifetime
Buildings	03-60 Years
Buildings Improvement Leasehold Land	06-40 Years
Plant & Machinery	03-32 Years
Motor Vehicles	05 Years
Furniture & Fittings	02-20 Years
Office Equipment	02-13 Years
Computer Equipment	02-04 Years
Tools & Equipment	03-10 Years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

3.4.1.4. Derecognition
The gains or losses arising on disposal or retirement of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment are recognized net within Other Income in the Statement of Profit or Loss.

3.4.2. Investment Properties
Investment properties held to earn rentals or for capital appreciation are measured initially at its cost.

Investment properties were carried at revalued amount in the statement of financial position. The Group has considered revalued amounts of the Investment properties as deemed cost at the date of the revaluation. Accordingly, the Investment properties are stated at deemed cost less accumulated depreciation and amounts arising any accumulated impairment losses.

Land is not depreciated, depreciation on buildings is calculated using the straight-line method to allocate their deemed cost over their estimated useful lives, as follows:

Assets Category	Useful Lifetime
Investment Properties – Buildings	03-60 Years

3.4.3. Leasehold Lands
Land held under leases is initially measured at prepaid lease rental plus any initial direct costs incurred at the inception and subsequently the leasehold land is measured at cost accumulated amortization and accumulated impairment losses. The value of leasehold land is amortized over the lease period.

Assets Category	Lease Period
Leasehold Land	50 Years

3.4.4. Intangible Assets
Acquired computer software are capitalized on the basis of the costs incurred to acquire and bring to use the specific software and systems. Intangible assets acquired are stated at cost less accumulated amortization and accumulated impairment losses. These costs are amortized over their estimated useful lives, as follows:

Assets Category	Useful Lifetime
Computer Software	10 Years

Costs associated with maintaining computer software are recognized as an expense as incurred.

3.4.5. Impairment of Non-Financial Assets
At each end of reporting period, the Group reviews the carrying amounts of its property, plant and equipment, intangible assets and investment in subsidiary to determine whether there is any indication that those assets have impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the cash-generating unit (CGUs) and estimates the recoverable amount of the CGUs to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income.

3.4.6. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using weighted average method.

3.4.7. Cash and Cash Equivalents

In the statement of cash flows, cash and cash equivalents include cash in hand, term deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less net of bank overdraft.

3.5. Contributed Capital

Contributed capital represents the initial capital paid out of the consolidated fund.

3.6. Liabilities and Provisions

All material liabilities as at the Statement of Financial Position date have been included in the financial statements and adequate provisions have been made for liabilities which are known to exist but the amount of which cannot be determined accurately. Liabilities classified as current liabilities in the Statement of Financial Position are those which will fall due for payment on demand or within one year from the Statement of Financial Position date. Items classified as long term liabilities will be due for payment one year from the Statement of Financial Position date.

3.6.1. Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due in the normal operating cycle of the business (within one year or less). If not, they are classified as non -current liabilities.

Trade payables are recognized initially at fair value (transaction price) and subsequently measured at the transaction price.

3.6.2. Borrowings

The Group's borrowings include term and import credit loans. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost using the effective interest method. Floating rate borrowings are measured in each subsequent period at amortized cost using floating interest rate (effective interest rate) prevailing in the period. Legal and documentation fees are recognized as transaction costs of the borrowings.

Foreign exchange gains and losses arising from measurement of carrying value of loans at amortized cost at each reporting period end are recognized in the statement of comprehensive income.

3.6.3. Payable to Treasury

Payable to Treasury comprise of Bonds issued by the Treasury on behalf of CWE which is born through the settlement of six commercial bank loans and interest payable accrued therewith issued in form Bonds to respective banks have also been undertaken to repay by the Treasury. The total liability undertaken by the Treasury on behalf of CWE has been stated at the carrying value of the present obligation as payable to the Treasury.

3.6.4. Borrowing Costs

Borrowing costs are recognized in the statement of comprehensive income in the period in which they are incurred.

3.6.5. Leases

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease

3.6.6. Current and Deferred Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of comprehensive income statement, except to the extent that it relates to items recognized in other comprehensive income. In this case, the tax is also recognized in other comprehensive income. The current income tax charge is calculated on the basis of the tax laws enacted at the reporting period end applicable for the Group operate and generate taxable income. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted at the reporting period end date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

3.6.7. Employee Benefits

The Group has both defined benefit and defined contribution plans.

(a) Defined Contribution Plan

A defined contribution plan is a post employment benefit plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions. The contributions are recognized as employee benefit expense when they are due.

The Group contributes 12% on gross emoluments of employee to Employee Provident Fund (EPF) and 3% on gross emoluments of employee to Employee Trust Fund (ETF).

(b) Defined Benefit Plan

The Group obligation in respect of defined benefit plans is the present value of the defined benefits obligation at the end of the reporting period. The defined benefits obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefits obligation is determined by discounting the estimated future benefits that employee have earned in return for their services in the current and prior period.

The retirement benefits obligation is not externally funded.

(c) Short-term Employee Benefit

Short-term employee benefit obligations are measured on an undiscounted amount expected to be paid for related services provided by the employees.

3.6.8. Provisions and Contingent Liabilities

Provisions for legal claim and other operational expenses are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

All contingent liabilities are disclosed as a note to the financial statements unless the possibility of an outflow of resources is remote.

3.7. Statement of Profit or Loss and Other Comprehensive Income

3.7.1. Revenue Recognition

3.7.1.1. Policy Applicable before 01 January 2018

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for sale of goods in the ordinary course of Group's activities, stated net of Value Added Taxes (VAT) and Nation Building Tax (NBT). The Group recognizes revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the Group.

The Group applies the revenue recognition criteria set out below to each identifiable major types of revenue.

(a) Sale of Goods
Revenue arises from sale of goods is recognized at the point that the risks and rewards of the goods have passed to buyer, which is the point where goods are delivered from stores.

(b) Rendering of Services
Revenue is recognized in the period in which the services are rendered based on completion of job or transaction and assessed on the basis of the actual services rendered.

3.7.1.2. Policy Applicable after 01 January 2018

Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control over a good or service to a customer. Revenue is presented net of value added tax (VAT), rebates and discounts and after eliminating intra-group sales.

The Group initially applied SLFRS 15 from 01 January 2018 for the first time in these financial statements. As there was no significant impact on adoption of this standard, comparative information have not been re-stated, the specific criteria used for the purpose of recognition of revenue remains the same as preceding years. SLFRS 15 established a comprehensive framework for determining whether, how much and when to recognize revenue. Revenue is measured based on the consideration specified in a contract with a customer. Under SLFRS 15, the Group revenue is recognize when a customer obtain control of the goods or services. Standard also give guidelines for determining the timing of the transfer of control ie: at a point in time or over time requires judgment. Under SLFRS 15, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognition will not occur.

(a) Sale of goods
Revenue from sale of goods is recognized on accrual basis at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties and free maintenance). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

(b) Rendering of Services
Revenue from rendering of services is recognized by reference to the stage of completion of the transaction at the end of the reporting period irrespective of whether the service is billed. When another party is involved in providing goods or services to its customer, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Group's role is only to arrange for another entity to provide the goods or services, then the Group is an agent and records the revenue at the net amount that it retains for its agency services.

3.7.2. **Other Income**

(c) **Interest Income**
Interest income is recognized using the effective interest method.

(d) **Rental Income**
Rental income from investment property that is leased to a third party under an operating lease is recognized in the statement of comprehensive income on a straight-line basis over the lease term.

(e) **Dividend Income**
Dividend income is recognized when the right to receive payment is established.

3.7.3. **Expenses**
Expenditures incurred in the running of the operation are to income in arriving at the profit for the reporting period.

3.8. **Statement of Cash Flows**
Interest paid and dividend paid are classified as financing cash flows while interest received and dividend received are classified as investing cash flows, for the purpose of presentation of Cash Flow Statement which has been prepared using the "Indirect Method" in accordance with Sri Lanka Accounting Standard – LKAS 07 – Statement of Cash flows.

3.9. **Events after the Reporting Period**
All material events after the reporting period have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the financial statements.

3.10. **Commitments**
All material commitments at the reporting period end have been identified and disclosed in the notes to the financial statements.

3.11. **Presentation**
Assets and liabilities are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

Where appropriate, the significant accounting policies are disclosed in the succeeding notes.

3.12. **Offsetting Income and Expenses**
Income and expenses are not offset unless required or permitted by accounting standards.

3.13. **Offsetting Assets and Liabilities**
Assets and liabilities are offset and the net amount reported in the statement of financial position only where there is;

- a current enforceable legal right to offset the asset and the liability; and
- an intention to settle the liability simultaneously.

3.14. **Sri Lanka Accounting Standards (SLFRS/LKAS) Issued but not yet Effective**
The Institute of Chartered Accountants of Sri Lanka has issued a number of new standards that are effective for annual periods beginning after the current financial year. Accordingly, these standards have not been applied in preparing these financial statements and the Group plans to apply these standards as and when they become effective.

3.14.1. **SLFRS 16 – Leases – Effective for Annual Periods Beginning on or After 01 January 2019.**
SLFRS 16, replace existing leasing guidance, including LKAS 17 lease, IFRIC 4 Determining whether as arrangement contains a lease, SIC - 15 Operating leases – Incentives and SIC - 27 Evaluating the Substance of transactions involving the legal form of a lease.

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model similar to the accounting for finance leases under LKAS 17. Under this standard a lessee recognizes an asset (right-of-use asset) representing its right to use the underlying assets and lease liability representing its obligation to make lease payments. Subsequently on an annual basis lessee are required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. However, the standard has granted a recognition exemption for short-term leases and leases of low-value items.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under SLFRS 16 is substantially unchanged from the current requirements under LKAS 17. Lessors will continue to classify all leases using the same classification principle as in LKAS 17 and distinguish between two types of leases: operating and finance leases.

(Expressed in Sri Lankan Rupees)

'OR THE YEAR ENDED 31 DECEMBER	Note	Sub Note	Group 2018	Group 2017 (Re-stated)	CWE 2018	CWE 2017
Revenue						
Wholesale and Retail Revenue			915,286,497	2,644,505,918	915,286,497	2,644,505,918
Service Income (Labour Supplying)			237,577,009	202,151,228	-	-
Revenue on Sub-Contracting			3,492,843	7,727,125	-	-
			1,156,356,349	**2,854,384,271**	915,286,497	**2,644,505,918**

The effect of initially applying SLFRS 15 on the Group / Company's revenue from contracts with customers is described in Note 38. Due to the transition method chosen in applying SLFRS 15, comparative information has not been restated to reflect the new requirements.

	Note	Sub Note	Group 2018	Group 2017	CWE 2018	CWE 2017
3.1 Disaggregation of Revenue from Contracts with Customers						
Products and Services Transferred at a Point in Time			918,779,340	2,652,233,042	915,286,497	2,644,505,918
Products and Services Transferred Over Time			237,577,009	202,151,228	-	-
			1,156,356,349	**2,854,384,271**	**915,286,497**	**2,644,505,918**
Cost of Sales						
Inventories as at 01 January			18,370,003	24,601,909	18,370,003	24,601,909
Purchases			682,279,157	2,617,145,158	682,279,157	2,617,145,158
Direct Expenses		4.1.1	222,040,357	202,140,933	8,193,483	27,910,758
Grant Received From Treasury			(53,835,840)	-	(53,835,840)	-
Inventories as at 31 December			(7,646,877)	(18,370,003)	(7,646,877)	(18,370,003)
			861,206,800	**2,825,517,997**	**647,359,927**	**2,651,287,822**
Other Operating Income						
Profit / (Loss) on Transport Services	5.1		(107,225,369)	(117,444,311)	(107,225,369)	(117,444,311)
Rent and Liquor Licensee Income			226,132,028	222,793,496	230,716,982	225,645,258
Profit / (Loss) on Disposal of Property, Plant and Equipment			2,733,000	8,263,477	2,733,000	8,263,477
Packing / Parking and Others			5,597,948	11,039,194	5,597,948	11,039,194
Commission - Milco	5.2		16,495,190	(1,493,734)	16,495,190	(1,493,734)
Control Account - Janasarana Project	5.3		30,312	9,546,984	30,312	9,546,984
Drought Relief Project	5.4		-	60,483,914	-	60,483,914
Local Rice Project	5.5		(334,751,502)	279,551,118	(334,751,502)	279,551,118
Imported Rice Project	5.6		(1,992,692,369)	-	(1,992,692,369)	-
Exchange Gain			722,208	89,449	722,208	89,449
By Products Sales			-	12,310,820	-	12,310,820
Others			19,140,373	2,999,189	18,129,373	1,715,549
			(2,163,818,182)	**488,139,596**	**(2,160,244,227)**	**489,707,718**

5.1 Profit / (Loss) on Transport Services

	Sub Note	Group / CWE 2018	Group / CWE 2017
Services Rendered		122,818,971	134,382,782
Direct Expenses	5.1.1	(230,044,340)	(251,827,093)
		(107,225,369)	**(117,444,311)**

5.2 Commission - Milco

	Group / CWE 2018	Group / CWE 2017
Revenue	**32,649,558**	**82,237,154**
Cost of Sales		
Inventories as at 01 January	10,003,763	1,416,373
Purchases	6,150,605	92,318,278
Inventories as at 31 December	-	(10,003,763)
	16,154,368	**83,730,888**
	16,495,190	**(1,493,734)**

5.3 Control Account - Janasarana Project

	Group / CWE 2018	Group / CWE 2017
Income	30,312	26,143,351
Cost of Sales and Direct Expenses	-	(16,596,367)
	30,312	**9,546,984**

5.4 Drought Relief Project

	Group / CWE 2018	Group / CWE 2017
Income	-	432,344,008
Cost of Sales	-	(371,860,093)
	-	**60,483,914**

ures in brackets indicates deductions

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER

	Note	CWE 2018	CWE 2017

5.5 Local Rice Project

	Note	Group / CWE 2018	Group / CWE 2017
Revenue (Rice)		1,023,191,346	3,223,344,316
Cost of Sales	5.5.1	(1,072,322,058)	(2,913,054,713)
		(49,130,713)	**310,289,602**
Direct Expenses			
Normal (Loss) / Gain		(96,463,820)	1,372,046
Milling Expense		(329,400,769)	-
Loading & Unloading		(5,340,237)	(4,077,528)
Cost of Polysac Bags		(3,575,600)	(28,101,937)
		(434,780,426)	**(30,807,419)**
		(483,911,139)	**279,482,183**
Other Income		4,652,854	68,935
Profit / (Loss) on Paddy Operation		**(479,258,284)**	**279,551,118**
Loss to be Reimbursed from the Treasury		144,506,782	-
Net Profit / (Loss) on Paddy Operation		**(334,751,502)**	**279,551,118**

5.5.1 Cost of Sales

	2018	2017
Inventories as at 01 January	43,855,440	-
Purchases	1,041,075,031	2,956,910,154
	1,084,930,472	**2,956,910,154**
Inventories as at 31 December - (Rice)	(12,608,414)	(43,855,440)
	1,072,322,058	**2,913,054,713**

5.6 Imported Rice Project

	Note	Group / CWE 2018	Group / CWE 2017
Revenue (Rice)		6,662,460,864	169,506,648
Cost of Sales	5.6.1	(7,587,414,095)	(258,018,886)
		(924,953,231)	**(88,512,238)**
Other Income			
Reduction of Import Cost		9,805	-
Sundry Income		7	-
Receivable from Legal case		25,900,236	-
Refund - Stevadoring & Agency Fee from CSCO		6,028,355	-
S.G.S Shortage		9,660,961	-
		41,599,363	-
Direct Expenses			
Container Clearing		-	(137,453)
Warehouse Rent		(122,577,250)	(7,175,000)
Loading & Unloading		(44,945,787)	(7,008,457)
Interest Expenses		(896,127,168)	(48,314,607)
NRV Adjustment - Wastage Stock		(6,291,616)	-
Fumigation Expenses		(26,688,639)	-
Rice Polishing Charges & Transport		(3,016,954)	-
Paneity Charges from Peoples' Bank		(3,718,675)	-
Exchange Loss - Performance Guarantee		(511,913)	-
Labour Charges		(350,000)	-
Purchases Pallet		(5,110,500)	(1,890,425)
		(1,109,338,502)	**(64,525,942)**
Loss on Imported Rice Operation		**(1,992,692,370)**	**(153,038,180)**
Loss to be Reimbursed from the Treasury		-	153,038,180
Net Loss on Imported Rice Operation		**(1,992,692,369)**	-

5.6.1 Cost of Sales

	2018	2017
Inventories as at 01 January - (Rice)	3,992,495,028	-
Purchases - Rice	3,627,454,989	4,250,513,914
	7,619,950,017	**4,250,513,914**
Inventories as at 31 December - (Rice)	(32,535,922)	(3,992,495,028)
	7,587,414,095	**258,018,886**

Figures in brackets indicates deductions

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT (CWE)
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER	Note	Sub Note	Group 2018	Group 2017 (Re-stated)	CWE 2018	CWE 2017
6 Administrative Expenses						
Administrative Expenses		6.1.1	**369,256,211**	**396,109,122**	**342,156,038**	**359,965,298**
7 Net Finance Income						
Finance Income						
On Fixed Deposits and Short-Term Deposits			3,388,073	6,163,985	-	1,917,379
On Staff Loans			767,713	349,103	748,663	320,313
			4,155,785	**6,513,088**	**748,663**	**2,237,692**
Finance Cost						
Overdraft Interest / Credit Card Commission			-	(1,867)	-	(1,867)
On Borrowings / Leasing			(2,874,785)	(11,252,871)	(2,874,785)	(11,252,871)
			(2,874,785)	**(11,254,738)**	**(2,874,785)**	**(11,254,738)**
			1,281,000	**(4,741,650)**	**(2,126,122)**	**(9,017,046)**
8 Income Tax Expense						
Current Tax Provision for the Year	29.1		963,154	6,122,269	-	5,000,000
			963,154	**6,122,269**	**-**	**5,000,000**

8.1 Deferred Taxation

The deferred tax assets have not been recognized due to realization of asset.

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER 2018

9 Property , Plant and Equipment Group

Cost	Lands	Buildings	Building Improvements on Leased Lands	Plant and Machinery	Motor Vehicles	Furniture and Fittings	Computer Equipment	Tools and Equipment	Office Equipment	Total *(Re-stated)*
Balance as at 01 January 2017	627,567,500	290,297,750	242,506,328	75,288,960	428,475,350	34,706,947	6,818,302	1,807,291	17,224,174	1,724,692,601
Additions	-	-	-	-	-	2,107,221	2,214,730	855,817	1,536,644	6,714,413
Disposals	-	-	-	-	(105,187,500)	-	-	-	-	(105,187,500)
Balance as at 31 December 2017	627,567,500	290,297,750	242,506,328	75,288,960	323,287,850	36,814,168	9,033,032	2,663,108	18,760,818	1,626,219,514
Additions	-	-	-	-	-	588,546	1,317,455	752,853	14,921,651	17,580,505
Disposals	-	-	-	-	(1,563,475)	-	-	-	-	(1,563,475)
Balance as at 31 December 2018	627,567,500	290,297,750	242,506,328	75,288,960	321,724,375	37,402,714	10,350,487	3,415,961	33,682,469	1,642,236,543
Depreciation										
Balance as at 01 January 2017		16,230,707	32,204,784	6,892,138	275,190,672	15,858,188	3,258,104	303,126	4,393,563	354,331,282
Charge for the Year		26,039,824	3,920,414	3,452,638	50,630,308	6,092,855	2,104,389	279,129	2,299,187	94,818,743
Disposals		-	-	-	(43,828,125)	-	-	-	-	(43,828,125)
Balance as at 31 December 2017		42,270,531	36,125,198	10,344,776	281,992,855	21,951,043	5,362,493	582,255	6,692,750	405,321,901
Charge for the Year		14,082,177	12,041,733	3,420,626	32,003,569	5,029,051	2,081,099	417,258	3,618,175	72,693,688
Disposals		-	-	-	(1,563,475)	-	-	-	-	(1,563,475)
Balance as at 31 December 2018		56,352,708	48,166,931	13,765,402	312,432,949	26,980,094	7,443,591	999,513	10,310,925	476,452,114

Net Carrying Values

	2018	2017
Lands	627,567,500	627,567,500
Buildings	233,945,042	248,027,219
Building Improvements on Leased Lands	194,339,397	206,381,130
Plant and Machinery	61,523,558	64,944,184
Motor Vehicles	9,291,426	41,294,995
Furniture & Fittings	10,422,619	14,863,125
Computer Equipment	2,906,895	3,670,539
Tools and Equipment	2,416,448	2,080,853
Office Equipment	23,371,544	12,068,069
	1,165,784,430	1,220,897,613

Figures in brackets indicates deductions
Notes to the Financial Statements Continued

9 **Property, Plant and Equipment Contd.....**

CWE

	Lands	Buildings	Building Improvements on Leased Lands	Plant and Machinery	Motor Vehicles	Furniture and Fittings	Computer Equipment	Tools and Equipment	Office Equipment	Total
Cost										
Balance as at 01 January 2017	627,567,500	290,297,750	242,506,328	75,288,960	428,475,350	34,695,026	5,282,759	1,807,291	17,111,155	1,723,032,118
Additions	-	-	-	-	-	1,232,095	1,332,410	855,817	1,372,587	4,792,909
Disposals	-	-	-	-	(105,187,500)	-	-	-	-	(105,187,500)
Balance as at 31 December 2017	627,567,500	290,297,750	242,506,328	75,288,960	323,287,850	35,927,121	6,615,169	2,663,108	18,483,742	1,622,637,527
Additions	-	-	-	-	-	229,239	552,985	752,853	14,872,551	16,407,627
Disposals	-	-	-	-	(1,563,475)	-	-	-	-	(1,563,475)
Balance as at 31 December 2018	627,567,500	290,297,750	242,506,328	75,288,960	321,724,375	36,156,359	7,168,154	3,415,961	33,356,293	1,637,481,679
Depreciation										
Balance as at 01 January 2017		16,230,707	32,204,784	6,892,138	275,190,672	15,856,944	2,570,040	303,126	4,369,594	353,618,005
Charge for the Year		26,039,824	3,920,414	3,452,638	50,630,308	5,992,707	1,714,433	279,129	2,251,644	94,281,096
Disposals		-	-	-	(43,828,125)	-	-	-	-	(43,828,125)
Balance as at 31 December 2017		42,270,531	36,125,198	10,344,776	281,992,855	21,849,651	4,284,472	582,255	6,621,238	404,070,976
Charge for the Year		14,082,177	12,041,733	3,420,626	32,003,569	4,846,532	1,478,211	417,258	3,556,545	71,846,651
Disposals		-	-	-	(1,563,475)	-	-	-	-	(1,563,475)
Balance as at 31 December 2018		56,352,708	48,166,931	13,765,402	312,432,949	26,696,183	5,762,683	999,513	10,177,783	474,354,152

Net Carrying Values	**2018**	**2017**
Lands	627,567,500	627,567,500
Buildings	233,945,042	248,027,219
Building Improvements on Leased Lands	194,339,397	206,381,130
Plant and Machinery	61,523,558	64,944,184
Motor Vehicles (Including Leasehold Assets)	9,291,426	41,294,995
Furniture & Fittings	9,460,176	14,077,470
Computer Equipment	1,405,471	2,330,697
Tools and Equipment	2,416,448	2,080,853
Office Equipment	23,178,510	11,862,504
	1,163,127,527	**1,218,566,551**

9.1 The motor vehicles as classified above comprise of freehold and leasehold vehicles.

FOR THE YEAR ENDED 31 DECEMBER 2018

10 **Investment Properties**

Group / CWE

Cost	Lands	Buildings	Building Improvements	Total
Balance as at 01 January 2018	4,582,808,572	713,231,230	135,103,875	5,431,143,67
Additions for the Year	-	-	-	-
Balance as at 31 December 2018	4,582,808,572	713,231,230	135,103,875	5,431,143,67
Depreciation				
Balance as at 01 January 2018		104,312,901	18,250,729	81,709,08
Charge for the Year		34,770,967	6,083,576	40,854,54
Balance as at 31 December 2018		139,083,868	24,334,305	163,418,17

Net Carrying Values	2018	2017
Lands	4,582,808,572	4,582,808,57
Buildings	574,147,362	608,918,32
Building Improvements on Leased Lands	110,769,570	116,853,14
	5,267,725,504	5,308,580,04

Rental income earned from investment property by the Group amounts to Rs. 226 mn (2017 - Rs. 222 mn).

11 **Leasehold Lands**

Group / CWE

Summary of Net Book Value

Description	Balance as at 01 Jan. 2018	Additions	Balance as at 31 Dece. 2018
Initial Cost			
Prepaid Rental	2,311,930	-	2,311,93
Description	**Balance as at 01 Jan. 2018**	**Charge for the Year**	**Balance as at 31 Dece. 2018**
Amortization			
Prepaid Rental (Charge for the Year and Estimate Change)	1,538,226	(674,959)	863,267
Net Book Value	773,704		1,448,663

Net Book Value	2018	2017
Net Book Value	1,448,663	773,704

Details of Land on Lease and Lease Arrangements :

Name of the Lessor	Initial Amount (Rs.)	Payment Terms	Agreement No.	Remaining Lease Term	Date of Commencement
The Urban Development Authority of Sri Lanka	165,000	Rs. 1000 per Acre. Renewable Every 5 Years	861	31 Year	03 Nov. 1993
The Urban Development Authority of Sri Lanka	1,500,000	Rs. 1000 per Acre. Renewable Every 5 Years	884	35 Years	30 March 1998

12 **Intangible Assets**

Group / CWE

Summary of Net Book Value

Description	Balance as at 01 Jan. 2018	Additions	Balance as at 31 Dece. 2018
Cost			
Computer Software	4,323,962	-	4,323,962
Description	**Balance as at 01 Jan. 2018**	**Charge for the Year**	**Balance as at 31 Dece. 2018**
Amortization			
Computer Software	1,550,327	470,391	2,020,718
Net Book Value	2,773,636		2,303,245

FOR THE YEAR ENDED 31 DECEMBER	No. of Shares	Holding [%]	Group 2018	Group 2017	CWE 2018	CWE 2017
13 Investment in Subsidiaries						
CWE Economic Centre Services (Pvt) Ltd (Formally known as CWE Security & Janitorial (Pvt) Ltd)	1	100%	-	-	10	10
CWE Construction and Engineering (Private) Limited	1	100%	-	-	10	10
			-	-	20	20

13.1 The financial statements are prepaired by the Management (un-audited) for the period ended 31 December 2018 of the subsidiaries are taken for the preparation of these consolidated financial statements for the year ended 31 December 2018.

14 Other Investments

	Note	Group 2018	Group 2017	CWE 2018	CWE 2017
Investments in Quoted Equity Instruments					
Quoted Shares	14.1	10	10	10	10
Investments in Unquoted Equity Instruments					
INGRIN Institute of Printing & Graphics Sri Lanka LTD (28% - 992,371 No of Shares)	14.2	9,923,710	9,923,710	9,923,710	9,923,710
Sathosa Retails Limited	14.3	171,928,690	171,928,690	171,928,690	171,928,690
Lanka Sathosa Limited		22,798,840	22,798,840	22,798,840	22,798,840
		204,651,240	204,651,240	204,651,240	204,651,240
Others					
Fixed Deposits		44,393,027	40,281,830	-	-
		249,044,277	244,933,080	204,651,250	204,651,250
Provision for Impairment		(171,928,690)	(171,928,690)	(171,928,690)	(171,928,690)
		77,115,587	73,004,390	32,722,560	32,722,560

14.1 Quoted Shares	No. of Shares	Market Value Per Share		
Sathosa Motors PLC	2	534.50	1,069	700

14.2 In the year 1997, INGRIN Institute of Printing & Graphics - Sri Lanka LTD has been registered as a public unquoted company and the premises were given to the institute. As an exchange of premises, 992,371 number of shares were issued at Rs.10 each at a consideration of Rs. 9,923,710/- in favour of CWE on 27.07.1999.

14.3 A liquidator was appointed on 20.02.2007 to commence liquidation proceeding on Sathosa Retail Limited based on a court case No 182 / C.O filed in District court of Colombo. Accordingly, in the year 2013 the said company has been fully wound up. Hence impairment provision for entirety of the carrying value of the said investment has been recognised.

15 Advances for Investments

	Group / CWE 2018	Group / CWE 2017
Lanka Sathosa Limited	98,909,871	98,909,871

The above represent cost or WDV of the capital assets given amounting to Rs 54.7 Mn and amount receivable as rent for the period from the year 2006 up to 31 March 2011 amounting Rs.66.9Mn . to/ from Lanka Sathosa Limited (LSL). In the year, out of the total amount of Rs. 121.6 Mn, Rs. 22.7 Mn has been recognized as investment in shares of LSL.

16 Inventories

	Note	Group / CWE 2018	Group / CWE 2017
Finished Goods (Wholesale)		46,499,595	2,297,476,177
Finished Goods (Goods in Transits)		-	1,767,248,057
		46,499,595	4,064,724,234
Raw Material (Paddy Project)		102,877,856	1,042,171,984
General Stocks	16.1	4,143,032	4,143,032
		153,520,484	5,111,039,251
16.1 General Stocks			
Building Department Stock		4,143,032	4,143,032
		4,143,032	4,143,032

17 Trade and Other Receivables

	Note	Sub Note	Group 2018	Group 2017 (Re-stated)	CWE 2018	CWE 2017
Trade Receivables	17.1	17.1.1	154,772,773	156,616,165	107,233,126	107,458,411
Rent Receivables	17.2	17.2.1	244,092,393	210,780,143	244,092,393	208,508,957
Amount Due from Related Entities	17.3		216,277,574	298,516,656	23,366,109	19,530,624
Deposits and Advances	17.4		46,302,830	22,020,160	19,906,173	16,161,660
Staff Loans and Advances			14,131,717	9,716,076	13,778,525	8,746,290
Shipping Bank Gurantees			-	1,015,645,776	-	1,015,645,776
Receivable From Legal Case			25,900,236	-	25,900,236	-
Short Term Advances			1,000,000	1,000,000	1,000,000	1,000,000
Other Receivables	17.5	17.5.1	19,047,480	16,684,379	12,984,281	11,901,920
			721,525,003	1,730,979,355	448,260,842	1,388,953,638
17.1 Trade Receivables						
Current / Performing Balances			162,057,658	163,901,050	107,233,126	107,458,411
Long Outstanding Balances			6,214,481	6,369,281	6,214,481	6,369,281
			168,272,139	170,270,331	113,447,607	113,827,692
Provision for Expected Credit Loss	17.1 (a)		(13,499,366)	(13,654,166)	(6,214,481)	(6,369,281)
			154,772,773	156,616,165	107,233,126	107,458,411
17.1 (a) Provision for Expected Credit Loss						
Balance as at 01 January			13,654,166	10,802,166	6,369,281	3,517,281
Charge / (Reversal) for the Year			(154,800)	2,852,000	(154,800)	2,852,000
Balance as at 31 December			13,499,366	13,654,166	6,214,481	6,369,281

Figures in brackets indicates deductions
Notes to the Financial Statements Continued

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER		Sub Note	Group 2018	Group 2017 *(Re-stated)*	CWE 2018	CWE 2017
17.2	**Rent Receivables**					
	Current / Performing Balances		244,092,393	210,780,143	244,092,393	208,508,957
	Long Outstanding Balances		88,071,071	88,071,071	88,071,071	88,071,071
			332,163,463	**298,851,213**	**332,163,463**	**296,580,027**
	Provision for Impairment		(88,071,071)	(88,071,071)	(88,071,071)	(88,071,071)
			244,092,393	**210,780,143**	**244,092,393**	**208,508,957**
17.3	**Amount Due from Related Entities**					
	Sathosa Retails Limited		99,785,694	99,785,694	99,785,694	99,785,694
	Sathosa Retails Limited - Welisara		5,999,113	5,999,113	5,999,113	5,999,113
	Sathosa Retails Limited - Debtor		5,093,913	5,093,913	5,093,913	5,093,913
		17.3.1	**110,878,720**	**110,878,720**	**110,878,720**	**110,878,720**
	Provision for Imapirment		(110,878,720)	(110,878,720)	(110,878,720)	(110,878,720)
			-	-	-	-
	Lanka Sathosa Limited		217,114,450	305,460,203	24,202,985	24,202,985
	Provision for Imapirment		(24,202,985)	(24,202,985)	(24,202,985)	(24,202,985)
			192,911,465	**281,257,218**	-	-
	CWE Construction and Engineering (Private) Limited		16,407,893	12,952,191	16,407,893	15,223,377
	CWE Economic Centre Services (Pvt) Ltd		6,958,215	4,307,247	6,958,215	4,307,247
			216,277,574	**298,516,656**	**23,366,109**	**19,530,624**

17.3.1 Consequent to the winding up of Sathosa Retail Limited, CWE has received Rs. 42,623,064.07 in the year 2013 as a full and final settlement against the amounts due from Sathosa Retail Limited. Since CWE has already made an adequate provision for impairment against total dues, the remaining balance irrecoverable amounting to Rs 110,878,720 arising from the liqudation has been accomadeted from the provision made for Impairement.

17.4	**Deposits and Advances**	Group 2018	Group 2017	CWE 2018	CWE 2017
	Other Deposits and Advances	42,282,205	21,420,160	15,885,549	15,561,660
	Terminal Handling Advances	4,020,624	-	4,020,624	-
	Import Deposits and Advances	-	600,000	-	600,000
	Long Outstanding Balances	29,692,440	29,692,440	29,692,440	29,692,440
		75,995,269	**51,712,600**	**49,598,613**	**45,854,100**
	Provision for Imapirment	(29,692,440)	(29,692,440)	(29,692,440)	(29,692,440)
		46,302,830	**22,020,160**	**19,906,173**	**16,161,660**

17.5	**Other Receivables**	Sub Note	Group 2018	Group 2017	CWE 2018	CWE 2017
	Current / Performing Balances		19,047,480	16,684,379	12,984,281	11,901,920
	Long Outstanding Balances		170,370,348	170,370,348	170,370,348	170,370,348
			189,417,828	**187,054,727**	**183,354,628**	**182,272,268**
	Provision for Imapirment		(170,370,348)	(170,370,348)	(170,370,348)	(170,370,348)
		17.5.1	**19,047,480**	**16,684,379**	**12,984,281**	**11,901,920**

18 **Special Projects / Services**

18.1	**Receivables from Special Projects / Services**	Sub Note	Group / CWE 2018	Group / CWE 2017
	Crates Receivables		4,732,816	4,732,816
	Milco Project		22,459,571	29,319,875
	Department of Co-Operative Development - (Funded Project)		16,037,352	16,840,429
	Paddy Operation - Government Institutions - Against Rice Purchases		334,511,704	(98,012,411)
	Paddy Operation - Receivables from Millers (Net)		72,211,564	384,481,610
	Import Rice Project - Receivable		2,640,106,771	162,355,298
	Drought Relefe Project - Receivable		13,272,998	160,388,945
	Local Rice Project - Receivable		-	19,567,772
	Packeting Debtors		-	524,875
	Rice Project		(57,280)	(57,280)
	Transport Services		569,395,719	575,339,518
		18.1.1	**3,672,671,216**	**1,255,481,447**
	Other Receivable - Farm Shop		338,177	338,177
	Gamata Saviya Project - (DIMO Batta)		42,568,994	42,568,994
			3,715,578,387	**1,298,388,617**

18.2	**Payables for Special Projects / Services**		Sub Note	Group / CWE 2018	Group / CWE 2017
	Crates Payables		18.2.1	7,731,857	7,731,857
	Milco Project - Milco (Pvt) Ltd			(453,497)	6
	Department of Co-operative Development - (Funded Project)			19,926,051	19,926,051
	Import Rice Project - Payables			(9,127,614)	1,009,417,966
	Paddy Operation	Paddy Purchase (Paddy Marketing Board)		1,075,666,192	2,356,346,627
		Millers - Payable / (Receivable) Net		47,753,691	47,753,691
		Milling Chargers Payable		70,134,771	-
		Packing Material		10,191,665	10,191,665
		Transport		5,275,761	5,275,761
		Refundable Deposits (Millers)		4,605,106	4,605,106
		Other Paddy Operations		11,523,151	11,523,151
	Other Projects	Purchase of Imported Rice - LANKA SATHOSA LTD		77,231,474	77,231,474
		Maize Project		16,442,700	16,442,700
		Rice Export Project		22,797,153	22,797,153
				1,359,698,461	**3,589,243,208**

Figures in brackets indicates deductions

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER	Note	Group 2018	Group 2017	CWE 2018	CWE 2017
19 Receivable from the Treasury					
Receivable from the Treasury - Import Rice	19.1	153,038,180	153,038,180	153,038,180	153,038,180
Receivable from the Treasury - Local Rice	19.2	144,506,782	-	144,506,782	-
		297,544,962	**153,038,180**	**297,544,962**	**153,038,180**

19.1 The amount represents the loss incurred by CWE during the year 2017, on sale of imported Rice at controlled price announced and stipulated by the Government.

19.2 The amount represents the loss incurred on locally purchases rice sold at controlled price announced and stipulated by the Government. CWE yet to claim and recover the loss from the Treasury.

20 Other Non-Financial Assets

	Group 2018	Group 2017 (Re-stated)	CWE 2018	CWE 2017
Prepaid Expenses	2,721,955	1,907,614	2,721,955	1,907,614
Prepayment - Imports	29,340	5,175,624	29,340	5,175,624
Statutory Receivable				
National Security Levy (NSL)	234,321,615	234,321,615	234,321,615	234,321,615
	237,072,910	**241,404,853**	**237,072,910**	**241,404,853**
Provision for Impairment	(234,321,615)	(234,321,615)	(234,321,615)	(234,321,615)
	2,751,295	**7,083,237**	**2,751,295**	**7,083,238**

21 Cash and Cash Equivalents

Favorable Cash and Cash Equivalents Balances	Group 2018	Group 2017 (Re-stated)	CWE 2018	CWE 2017
Cash at Bank				
Current Accounts	242,715,271	361,121,552	190,450,178	307,058,231
Savings Accounts / Call Deposits	50,244,539	34,018,073	32,163,356	15,939,874
Fixed Deposits	19,422,155	21,699,126	19,422,155	21,699,126
Foreign Currency Accounts	4,542,725	3,791,093	4,542,725	3,791,093
Cash in Hand				
Cash in Hand	3,228,555	3,813,668	3,195,933	3,789,402
Unidentified Deposits	-	(8,684,772)	-	(8,684,772)
Other Cash Clearing Accounts	2,453,107	5,602,571	2,453,107	5,602,571
	322,606,351	**421,361,312**	**252,227,453**	**349,195,526**
Unfavorable Cash and Cash Equivalents Balances				
Bank Overdrafts	(5,066,420)	(9,561,312)	(5,066,420)	(8,556,706)
Total Cash and Cash Equivalents for the Purpose of Statement of Cash Flow	**317,539,931**	**411,800,000**	**247,161,033**	**340,638,820**

22 Contributed Capital

	Note	Group / CWE 2018	Group / CWE 2017
Initial Capital Invested		**4,398,056,590**	**4,398,056,590**

23 Reserves

	2018	2017
Capital Reserve	32,444,879	32,444,879
General Reserve	94,477,411	94,477,411
Loan Redemption Reserve	300,289,603	300,289,603
Vehicle Replacement Reserve	72,218,000	72,218,000
Revaluation Reserve	6,741,632,672	6,741,632,672
Restructuring Reserve	1,506,563,583	1,506,563,583
	8,747,626,148	**8,747,626,148**

24 Payables to Treasury

	Note	2018	2017
On CWE Treasury Bond Interest Payments	24.1	4,101,418,470	4,101,418,470
On Settlement of Borrowings		98,718,402	98,718,402
On Loan Restructuring		275,000,000	275,000,000
On SRL	24.2	200,000,000	200,000,000
On Paddy Project - Advances	24.3	254,149,693	254,149,693
		4,929,286,565	**4,929,286,565**

In the year 2003 Government of Sri Lanka has undertaken to repay the loans, overdraft facilities and interest outstanding thereon payable by CWE to several government and private banks by issuing Bonds to the face value of Rs.4,397Mn. CWE has agreed that the interest payment referred to the aforesaid Bond liability will take the form of (converted into) "Zero coupon CWE Bond" issued to the respective banks as the Bond holder for each such interest payments. According to the directive issued on 28 February 2008 by the Secretary to the Treasury in this regard, the Government has undertaken to settle the Bonds issued by CWE on account of interest payments.Concequently, the Government has settled the CWE bonds to the redemption value of 4,101 Mn as at 31 December 2016. The total CWE bonds undertaken to settle by the Government will be redeemed in November 2016.

24.1 Financial Institution

	Total CWE Bonds Issued As At 31 Dece. 2018	Total CWE Bonds Issued As At 31 Dece. 2017
Bank of Ceylon (BOC)	1,627,532,400	1,627,532,400
HSBC	701,753,676	701,753,676
Peoples' Bank	598,357,500	598,357,500
Commercial Bank	574,423,200	574,423,200
Hatton National Bank PLC	468,154,908	468,154,908
Seylan Bank	239,343,000	239,343,000
	4,209,564,684	**4,209,564,684**
Settlements Made By CWE	(108,146,214)	(108,146,214)
Settlements Made By the Government Treasury	**4,101,418,470**	**4,101,418,470**

24.2 The liability to Treasury has been derived as a result of settling Sathosa Retail Limited 's (SRL) liabilities in the following manner.

Liabilities of SRL		
Creditors	655,000,000	655,000,000
Banks Liabilities - HSBC, Commercial Bank & HNB	225,000,000	225,000,000
	880,000,000	**880,000,000**
Mode of Settlement		
Less : Sales Proceeds Received from SRL	(680,000,000)	(680,000,000)
Funded by the Treasury	**200,000,000**	**200,000,000**

24.3 Classification between current and non-current portion in the statement of financial position could not be ascertained as no reference or any other communication on repayment terms were available. Hence, the total balance has been reported under non-current liabilities as per management determination.

25 Retirement Benefits Obligation

	Note	Group 2018	Group 2017	CWE 2018	CWE 2017
Balance as at 01 January		**44,053,023**	**34,188,584**	**41,425,477**	**33,220,238**
Recognized in Comprehensive Income	25.1	7,301,023	12,448,082	537,402	10,760,582
Payments Made During the Year		(5,523,439)	(2,583,642)	(3,182,750)	(2,555,342)
Balance as at 31 December		**45,830,608**	**44,053,023**	**38,780,130**	**41,425,477**

25.1 Recognized in Profit or Loss

	Group 2018	Group 2017	CWE 2018	CWE 2017
Current Service Cost	9,022,614	4,481,067	2,527,002	2,892,339
Interest Cost for the Year	4,493,408	3,487,236	4,225,399	3,388,464
(Gain) / Loss arising from changes in the assumptions	(6,214,999)	4,479,779	(6,214,999)	4,479,779
	7,301,023	**12,448,082**	**537,402**	**10,760,582**

The CWE has used internally generated module to measure the gratuity liability as there were no significant changes in the actuarial assumptions at the end of the reporting period.

25.2 The Principal Actuarial Valuation / Management Assumptions used are as follows;

	Group / CWE 2018	Group / CWE 2017
Discount Rate [%]	11.58	10.2
Salary Escalation Rate [%]	3	2
Retirement Age [Yrs]	60	60
Staff Turnover Factor [%]	1	1

26 Borrowings

	Note	2018	2017
Bank of Ceylon (BOC)		83,000,000	83,000,000
Import Loan - People's Bank	26.1	5,524,771,060	4,115,462,836
Peoples Bank - Import Loan		-	90,312,541
Accrued Interest		40,412,162	28,015,272
	26.2	**5,648,183,221**	**4,316,790,649**

26.1 Import Loan - People's Bank

As a result of the memorandum submitted by the Ministry of Finance, Economic and Policy Development dated 26 February 2020 in relating to obtain financial Assistance from the Government Treasury in settlement of Loans obtained from the Pepoles' Bank on importation of Rice by CWE, the Cabinet Decision has been conveyed on 19 March 2020, approving the proposals incorporated therewith. The details on terms and conditions of converting the loans have not been disclosed pending confirmation from Peopoles' Bank

26.2 Movement of Borrowings

	2018	2017
Balance as at 01 January	**4,316,790,649**	**207,760,490**
Loans Obtain During the Year	3,411,800,008	4,122,137,701
Settlements Made by CWE	(2,092,804,325)	(51,317,778)
Accrued Interest	12,396,890	38,210,236
Balance as at 31 December	**5,648,183,221**	**4,316,790,649**
Current Potion	5,648,183,221	4,316,790,649
Non-Current Potion	-	-
	5,648,183,221	**4,316,790,649**

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER	Group / CWE 2018	2017

26.3 **Details of Interest Bearing Loans and Borrowings**
Group / Company

Description	Security	Interest Rate	Maturity	Balance as at 31 Decm. 2018	Balance as at 31 Decm. 2017
Import Loan - People's Bank	Letter of Confort form the General Treasury for Rs. 7 Bn	AWPLR + 2.5% P.A, for any arreas / over due AWPLR +% P.A	Repay withing two (05) years (Loan Reshedule on 19.03.2020 as per the Cabinet decision)	5,524,771,060	4,115,462,836

27 **Finance Lease Obligations**

	2018	2017
Gross Liability as at 01 January	84,398,292	225,406,131
Derecognition of Remaining Lease Liability	-	(71,266,464)
Repayments During the Year	(31,291,856)	(69,741,375)
Gross Liability at End of the Year	53,106,436	84,398,292
Finance Charges Allocated to Future Periods	(94,181)	(2,394,045)
Net Liability at End of the Year	53,012,255	82,004,247
Current Portion	4,886,963	73,968,930
Non-Current Portion	48,125,291	8,035,318
	53,012,255	82,004,247

28 **Trade and Other Payables**

	Note	Sub Note	Group 2018	Group 2017 (Re-stated)	CWE 2018	CWE 2017
Trade Payables	28.1	28.1.1	303,473,204	626,841,532	50,124,445	298,504,108
Contingent Liabilities	34.1		71,984,473	71,984,473	71,984,473	71,984,473
Other Payables	28.2	28.2.1	192,230,257	286,691,927	192,230,257	286,691,927
Refundable Deposits		28.3.1	23,432,324	28,122,746	22,500,324	27,190,746
			591,120,258	1,013,640,678	336,839,499	684,371,254

28.1 **Trade Payables**

	Group 2018	Group 2017	CWE 2018	CWE 2017
Current / Performing Balances	299,954,039	623,322,367	46,605,280	294,984,943
Long Outstanding Balances	3,519,166	3,519,166	3,519,166	3,519,166
	303,473,204	626,841,532	50,124,445	298,504,108

28.2 **Other Payables**

	Group 2018	Group 2017	CWE 2018	CWE 2017
Current / Performing Balances	4,552,193	99,013,862	4,552,193	99,013,862
Long Outstanding Balances	187,678,063	187,678,064	187,678,063	187,678,064
	192,230,257	286,691,927	192,230,257	286,691,927

29 **Other Non-Financial Liabilities**

	Note	Sub Note	Group 2018	Group 2017	CWE 2018	CWE 2017
Accrued Expenses		29.1.1	82,825,301	77,510,241	46,545,391	45,320,242
Statutory Payables						
Value Added Tax (VAT)			161,988,455	137,341,517	150,812,239	127,605,826
Stamp Duty Payable / PAYE and Other Duties			715,696	652,747	705,095	632,672
Current Tax Payable	29.1		161,529,913	200,217,881	161,833,614	196,484,197
Nation Building Tax (NBT)			45,895,330	42,432,800	21,697,864	22,955,016
			452,954,698	458,155,186	381,594,203	392,997,954

29.1 **Current Tax Payable**

	CWE 2018	CWE 2017
Balance as at 01 January	196,484,197	817,415
Provision for the Year	-	5,000,000
Tax Credits Set-off (WHT / ESC)	(34,650,583)	190,666,782
Balance as at 31 December	161,833,614	196,484,197

Figures in brackets indicates deductions
Notes to the Financial Statements Continued

30 Capital and Other Commitments

There were no material capital expenditure or other financial commitments approved by the Board of Directors as at the reporting period end.

31 Events after Reporting Period

There were no events occurred, which required adjustments or disclosure in these financial statements between the 31 December reporting date and the date of authorisation.

32 Related Party Disclosures

The company's related parties includes Government of Sri Lanka, State-Owned Enterprises, Other Related Entities and key management personnel. However, the parties whome involved with CWE for significant and direct transacttions have only been disclosured.

32.1 Transactions with Key Management Personnel (KMPs)

According to the Sri Lanka Accounting Standards LKAS 24 "Related Party disclosures" Key Management Personnel are those having responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Accordingly, the Board of Directors, General Manager and Operational Managers have been classified as Key Management Personnel.

Transactions with Key Management Personnel	Group		CWE	
	2018	2017	2018	2017
Remuneration and Other Short-Term Employee Benefits	3,833,060	5,833,005	2,059,475	2,328,000

32.2 Related Party Transactions

Details of significant related party transactions that company carried out are as follows:

Transactions with Government of Sri Lanka and State-Owned Enterprises and Other Government Related Entities

The Government of Sri Lanka is the capital holder of the company and thus has control over its operations. Accordingly company has considered the Government of Sri Lanka and other entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka (Government related entities) as related parties.

Related Parties	Nature of Transactions	Transaction Value (Rs.)	Amount Due from / (to)
Government's Treasury	On CWE Treasury Bond Interest Payments Made	-	(4,101,418,470)
	Settlements of Peoples Bank - Import Loan	-	(98,718,402)
	Others	-	(729,149,693)
	Canned Fish - Loss to be Reimburse from Treasury	(3,128,160)	-
	Import Rice Project Loss to be Reimburse from Treasury	-	153,038,180
	Local Rice Project Loss to be Reimburse from Treasury	-	144,506,782

Transactions with Other Related Entities (Including Subsidiaries)

Related Parties	Nature of Transactions			Transaction Value (Rs.)	Amount Due from / (to)
CWE Economic Centre Services (Pvt) Ltd	Security Service Obtained			25,051,445	
	Rent Income for the year			4,584,954	
	Payments Received			1,064,689	
	Payments Made	- Security		27,719,539	6,958,215
CWE Construction and Engineering	Rent Income for the year			3,120,539	
	Payments made for	- Construction and Utilities		1,936,022	16,407,893
Sathosa Retails Limited	Working capital requirements			-	110,878,720
		Amount Invoiced	*Recoveries*		
Lanka Sathosa Limited	Rent Receivables	136,171,127	128,466,993	98,706,497	91,002,363
	Milco Debtor	34,057,489.75	41,614,600	15,298,126	22,855,237
	Packeting Operation	4,601,713	-	9,400,921	4,799,208
	Import Rice Project - Lanka Sathosa	3,086,232,406	1,696,693,019	1,539,588,776	150,049,389
	SOU - (Canned Fish & Sugar)	542,472,031	628,734,113	299,225,940	385,488,022
	Trading - Paddy Project 2017	664,420,540	236,498,138	323,803,476	(104,118,927)
	Trade Creditor	-	(2,003,600)	(11,997,140)	(14,000,740)
	Transport Services Provided	37,205,565	32,508,813	139,645,373	134,948,620
	Rice Project - Lanka Sathosa	No Transactions have taken placed during the year		11,045,180	11,045,180
	Trade Receivables			53,493,256	53,493,256
	Amount Due from Related Parties			24,202,985	24,202,985
	Imported Rice			(77,231,474)	(77,231,474)
	Advances for Investments			98,909,871	98,909,871
				2,524,091,788	**781,442,991**

Figures in brackets indicates deductions

Notes to the Financial Statements Continued

33 Summary of Long Outstanding Balances

This note represents long outstanding balances of receivables and payables that are under various classification of accounts some of which balances have no year-on-year movement and have been considered for impairment.

Assets / Receivables	Note	Description	Amount Identified as Long Outstanding in the Year 2018	Group / CWE 2018	Group / CWE 2017
Inventories	16	Inventories	-	4,143,032	4,143,032
Trade and Other Receivables	17	Trade Receivables	(154,800)	6,214,481	6,369,281
		Rent Receivables	-	88,071,071	88,071,071
		Amount Due from Related Entities	-	135,081,705	135,081,705
		Deposits and Advances	-	29,692,440	29,692,440
		Short Term Advances	-	1,000,000	1,000,000
		Other Receivables	-	170,370,348	170,370,348
			(154,800)	**430,430,044**	**430,584,844**
		Provision for Impairment			
		Trade Receivables	154,800	(6,214,481)	(6,369,281)
		Rent Receivables	-	(88,071,071)	(88,071,071)
		Amount Due from Related Entities	-	(135,081,705)	(135,081,705)
		Deposits and Advances	-	(29,692,440)	(29,692,440)
		Other Receivables	-	(170,370,348)	(170,370,348)
			154,800	**(429,430,044)**	**(429,584,844)**
			-	**1,000,000**	**1,000,000**
Receivables from Special Projects / Services	18.1	Crates		4,732,816	4,732,816
		Department of Co-operative Development - (Funded Project) - Receivables from MPCS		16,729,454	16,729,454
		Paddy Operation - Government Institutions - Against Rice Purchases		12,352,487	12,352,487
		Gamata Saviya Project - (DIMO		43,057,505	43,057,505
				76,872,262	**76,872,262**
Other Non-Financial Assets	20	National Security Levy		234,321,615	234,321,615
		Provision for Impairment		(234,321,615)	(234,321,615)
				-	-
Cash and Cash Equivalents	21	Unidentified Deposits		-	(8,684,772)
				81,015,294	**72,330,523**

Payables / Others	Note	Description	Amount Identified as Long Outstanding in the Year 2018	Group / CWE 2018	Group / CWE 2017
Trade and Other Payables	28	Trade Payables	-	3,519,166	3,519,166
		Other Payables	-	187,678,064	187,678,064
		Refundable Deposits	-	11,944,722	11,944,722
				203,141,952	**203,141,952**
Payables for Special Projects / Services	18.2	Crates Payables		7,731,857	7,731,857
		Department of Co-operative Development - (Funded Project)		19,926,051	19,926,051
		Paddy Purchase (Paddy Marketing Board)		274,121,687	274,121,687
		Packing Material		10,191,665	10,191,665
		Transport		5,275,761	5,275,761
		Refundable Deposits (Millers)		4,605,106	4,605,106
		Others		11,523,151	11,523,151
		Purchase of Imported Rice -Lanka Sathosa Limited		77,231,474	77,231,474
		Rice Export Project		22,797,153	22,797,153
				433,403,906	**433,403,906**

Figures in brackets indicates deductions

34 **Litigation**

There are no any litigations other than disclouse below;
There are several court cases pending as at the reporting date filed in favour / against CWE. The details of court cases pending are stated below.

Court	No. of Pending Cases 2018	2017
Supreme Court cases		
Court of Appeal	1	1
Civil Appeal	2	1
Commecial High Court	1	1
High Court Cases	1	2
District Court	3	3
Magistrate Courts	9	6
Labour Department	6	8
Industrial Arbitration Cases	4	4
Labour Depatment Inquaries	1	1
	10	7

The CWE may have contingent liabilities in respect of legal claims arising in the ordinary course of business. CWE will recognizes such claims as an when those prove to be realized in the year in which the court decision is awarded by the respective courts. Hence, no provision has been made in the financial statements for legal claims if any, of the above cases. This position taken is in consistent with legal advices of the CWE's legal division.

34.1 The Municipal Treasurer's Department had appealed against CWE claiming an amount of Rs. 71.9 Mn relating to the recovery of Rate and Taxes. At the reporting date the amount has been disclosed as a contingent liability (Refer note no 28).

35 **Financial Instruments and Risk Management**

The accounting classification of each category of financial instruments and their carrying amounts reported in the statement of financial position are stated below.

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amount of the financial assets and liabilities reported in the statement of financial position are as follows,

The Carrying Values of Financial Assets and Liabilities	Note	Group 2018	Group 2017	CWE 2018	CWE 2017
FINANCIAL ASSETS					
Available-for-Sale (AFS) Financial Assets					
Invesment in Equity Securities					
Other Investments					
Quoted Shares	14	-	10	-	10
Unquoted Shares	14	-	204,651,240	-	204,651,240
		-	**204,651,250**	-	**204,651,250**
Fair Value through Other Comprehensive Income					
Invesment in Equity Securities					
Quoted Investment	14	10	-	10	-
Unquoted Investments	14	204,651,240	-	204,651,240	-
		204,651,250	-	**204,651,250**	-
Loans and Receivables					
Fixed Deposits	14	-	40,281,830	-	-
Trade and Other Receivables	17	-	1,497,179,053	-	1,163,283,021
Receivable from the Treasury	19	-	153,038,180	-	153,038,180
Cash and Cash Equivalents	21	-	421,361,312	-	349,195,526
		-	**2,111,860,374**	-	**1,665,516,727**
Loans and receivables are stated at their carrying value as their carrying value approximates the fair value.					
Amortized Cost					
Fixed Deposits	14	44,393,027	-	-	-
Trade and Other Receivables	17	430,129,780	-	183,262,276	-
Receivable from the Treasury	19	297,544,962	-	297,544,962	-
Cash and Cash Equivalents	21	322,606,351	-	252,227,453	-
		1,094,674,121	-	**733,034,691**	-
Total Financial Assets		**1,299,325,371**	**2,316,511,624**	**937,685,941**	**1,870,167,977**

Figures in brackets indicates deductions
Notes to the Financial Statements Continued

The Carrying Values of Financial Assets and Liabilities	Note	Group 2018	Group 2017	CWE 2018	CWE 2017
FINANCIAL LIABILITIES					
Other Financial Liabilities					
Payables to Treasury	24	4,929,286,565	4,929,286,565	4,929,286,565	4,929,286,565
Bank Borrowings	26	5,648,183,221	4,316,790,649	5,648,183,221	4,316,790,649
Trade and Other Payables	28	591,120,258	1,013,640,678	336,839,499	684,371,254
Bank Overdrafts	21	5,066,420	9,561,312	5,066,420	8,556,706
Total Financial Liabilities		**11,173,656,464**	**10,269,279,204**	**10,919,375,705**	**9,939,005,174**

The financial liabilities are stated at amortized cost using the effective interest method.

5 Financial Instruments and Risk Management Contd...

Financial Risk Factors

The Group has exposure to the following risks from its use of financial instruments.

01 Credit Risk
02 Liquidity Risk
03 Market Risk

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing these risks. The Group's overall risk management strategy seeks to minimize adverse effects from the unpredictability of financial markets on the Group's financial performance. Mechanisms adopted by Group in managing eventual impact of such risks are given below.

The financial instruments of the Group comprise of listed / unlisted equity investments, investments in term deposits, cash equivalents and bank borrowings (term loans and overdrafts) trade receivables and payables from its core business activities. The main purpose of investment in short-term deposits and borrowings is to raise and maintain liquidity for working capital of Group operations. Investments in unlisted shares are strategic investments.

01 Credit Risk

Credit risk is the risk of financial loss to the Group if counterparty fails to meet its contractual obligations. Credit risk arises principally from deposits held with banks and financial institutions, cash and cash equivalents (excluding cash in hand) and receivables from customers and related parties. The maximum risk exposures of financial assets that are subject to credit risk are equal to their carrying amounts.

Following table depicts the maximum risk exposure of financial assets reported as at 31 December 2018 & 2017.

Risk Exposure to Financial Assets	Group 2018	Group 2017	CWE 2018	CWE 2017
Fixed Deposits	44,393,027	40,281,830	-	-
Cash and Cash Equivalents	316,924,690	420,629,844	246,578,414	348,488,324
Receivables from Special Projects / Services	3,715,578,387	1,298,388,617	3,715,578,387	1,298,388,617
Trade and Other Receivables	430,129,780	1,497,179,053	183,262,276	1,163,283,021
	4,507,025,884	**3,256,479,344**	**4,145,419,076**	**2,810,159,963**

Credit risk arising from other financial assets of the Group comprises deposits held with banks, cash and cash equivalents. The Group's exposure to credit risk arises from default in meeting contractual obligations of contractual parties, with a maximum exposure equal to the carrying amount of these financial instruments. The Group manages its credit risks with regard to these financial instruments by mainly placing its funds with reputable financial institutions and state banks.

02 Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when due under both normal and unexpected conditions without incurring unacceptable losses.

Groups actively managed its financing cash flows to ensure all refinancing, repayment and investment needs with regard to the construction and acquisition of capital assets are satisfied.

The following table depicts the Group's financial assets and liabilities maturity analysis as at 31 December 2018 based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial Assets and Liabilities	Group			CWE		
	Carrying Amount (Rs.)	Within One Year	More than One Year	Carrying Amount (Rs.)	Within One Year	More than One Year
Financial Assets						
Other Investments	77,115,587	-	77,115,587	32,722,560	-	32,722,560
Advances for Investments	98,909,871	-	98,909,871	98,909,871	-	98,909,871
Trade and Other Receivables	721,525,003	721,525,003	-	448,260,842	448,260,842	-
Receivables from Special Projects / Services	3,715,578,387	3,715,578,387	-	3,715,578,387	3,715,578,387	-
Cash and Cash Equivalents	322,606,351	322,606,351	-	252,227,453	252,227,453	-
Total Undiscounted Financial Assets	4,935,735,199	4,759,709,740	176,025,458	4,547,699,113	4,416,066,682	131,632,431

Financial Liabilities	Group			CWE		
	Carrying Amount (Rs.)	Within One Year	More than One Year	Carrying Amount (Rs.)	Within One Year	More than One Year
Payables to Treasury	4,929,286,565	-	4,929,286,565	4,929,286,565	-	4,929,286,565
Borrowings	5,648,183,221	5,648,183,221	-	5,648,183,221	5,648,183,221	-
Trade and Other Payables	591,120,258	591,120,258	-	336,839,499	336,839,499	-
Payables for Special Projects / Services	1,359,698,461	1,359,698,461	-	1,359,698,461	1,359,698,461	-
Bank Overdrafts	5,066,420	5,066,420	-	5,066,420	5,066,420	-
Total Undiscounted Financial Liabilities	12,533,354,924	7,604,068,360	4,929,286,565	12,279,074,165	7,349,787,601	4,929,286,565
Net Undiscounted Financial Assets / (Liabilities)	(7,597,619,726)	(2,844,358,619)	(4,753,261,107)	(7,731,375,053)	(2,933,720,919)	(4,797,654,134)

03 **Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates which will affect the Group's income or the carrying value of holdings of financial instruments.

Interest Rate Risk

The Group's exposure to interest risk is the changes in market interest rates relate to the interest bearing borrowings with a fixed rate and bank deposits.

The Group has bank balances including term deposits placed with reputable financial institutions and state banks. The Group monitors interest rate risk by actively monitoring interest rate movements.

Currency Risk

The Group has currency exposures arising from deposits held in bank in USD. Refer note 21.

Figures in brackets indicates deductions.

FOR THE YEAR ENDED 31 DECEMBER 2018

36 Individual Financial Statements of the Group
36.1 Individual Financial Position

as at 31 December 2018	Subsidiaries	
	CWE Economic Centre Services (Pvt) Ltd	CWE Construction and Engineering (Private) Limited
Property , Plant and Equipment	1,076,370	1,580,531
Other Investments	20,070,255	24,322,773
Total Non-Current Assets	**21,146,625**	**25,903,304**
Current Assets		
Trade and Other Receivables	49,137,978	224,126,182
Other Non-Financial Assets	-	-
Cash and Cash Equivalents	17,664,880	52,714,018
Total Current Assets	**66,802,858**	**276,840,200**
Total Assets	**87,949,483**	**302,743,504**
EQUITY AND LIABILITIES		
Equity		
Contributed Capital	10	10
Retained Earnings	41,158,693	16,842,545
Total Equity	**41,158,703**	**16,842,555**
Non-Current Liabilities		
Retirement Benefits Obligation	7,050,478	-
Total Non-Current Liabilities	**7,050,478**	-
Current Liabilities		
Trade and Other Payables	981,335	253,299,424
Other Non-Financial Liabilities	38,758,967	32,601,525
Total Current Liabilities	**39,740,302**	**285,900,949**
Total Equity and Liabilities	**87,949,483**	**302,743,504**

Figures in brackets indicates deductions.
Notes to the Financial Statements Continued

36.2 Individual Statement of Profit or Loss And Other Comprehensive Income

for the Year Ended 31 December 2018	Subsidiaries	
	CWE Economic Centre Services (Pvt) Ltd	CWE Construction and Engineering (Private) Limited
Revenue	262,628,454	3,492,843
Cost of Sales	(213,846,873)	-
Gross Profit / (Loss)	**48,781,581**	**3,492,843**
Other Operating Income	20,999	990,000
Administrative Expenses	(42,104,222)	(14,624,585)
Profit / (Loss) from Operation	**6,698,358**	**(10,816,935)**
Finance Income	1,327,922	2,071,435
Profit / (Loss) Before Taxation	**8,026,280**	**(8,745,500)**
Income Tax Expense	(963,154)	-
Profit / (Loss) for The Year	**7,063,126**	**(8,745,500)**
Other Comprehensive Income	-	-
Total Comprehensive Income / (Expense) for the Year	**7,063,126**	**(8,745,500)**

Figures in brackets indicates deductions.
Notes to the Financial Statements Continued

37 **Explanation to Reclassification of Balances**

Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December	Group				CWE		
	2017 Previously Reported	Re-stated	Reclassified	2017 Reclassified	2017 Previously Reported	Reclassified	2017 Reclassified
Revenue	2,861,063,440	(6,679,169)	-	2,854,384,271	2,644,505,918	-	2,644,505,918
Cost of Sales	(2,825,517,997)	-	-	(2,825,517,997)	(2,651,287,822)	-	(2,651,287,822)
Gross Profit	**35,545,443**	**(6,679,169)**	-	**28,866,273**	**(6,781,905)**	-	**(6,781,905)**
Other Operating Income	488,037,283	102,313	-	488,139,596	489,707,718	-	489,707,718
Administrative Expenses	(395,661,729)	(447,392)	-	(396,109,122)	(359,965,298)	-	(359,965,298)
Selling and Distribution Expenses	-	(343,242)	-	(343,242)			
Provisions for Impairment	(2,852,000)	-	-	(2,852,000)	(2,852,000)	-	(2,852,000)
Profit / (Loss) from Operation	**125,068,997**	**(7,367,490)**	-	**117,701,506**	**120,108,516**	-	**120,108,516**
Finance Income	6,339,827	173,261	-	6,513,088	2,237,692	-	2,237,692
Finance Cost	(11,254,738)	-	-	(11,254,738)	(11,254,738)	-	(11,254,738)
Profit / (Loss) Before Taxation	**120,154,086**	**(7,194,229)**	-	**112,959,857**	**111,091,470**	-	**111,091,470**
Income Tax Expenses	(6,431,968)	309,699	-	(6,122,269)	(5,000,000)	-	(1,500,000)
Profit / (Loss) for The Year	**113,722,118**	**(6,884,530)**	-	**106,837,587**	**106,091,470**	-	**109,591,470**
Other Comprehensive Income	-	-	-	-	-	-	-
Total Comprehensive Income / (Expense) for the Year	**113,722,118**	**(6,884,530)**	-	**106,837,587**	**106,091,470**	-	**109,591,470**
Attributable to:							
- Equity Holders of the Parent	113,722,118	(6,884,530)	-	106,837,587	106,091,470	-	109,591,470
- Non-Controlling Interest	-	-	-	-	-	-	-

Figures in brackets indicates deductions.

FOR THE YEAR ENDED 31 DECEMBER 2018

37 Cond.....

Explanation to Reclassification of Balances

Statement of Financial Position for the Year Ended 31 December	Group 2017 Previously Reported	Group Reclassified	Group Re-stated	Group 2017 Reclassified	CWE 2017 Previously Reported	CWE Reclassified	CWE 2017 Reclassified
ASSETS							
Non-Current Assets							
Property , Plant and Equipment	1,220,931,090	-	(33,477)	1,220,897,613	1,218,566,551	-	1,218,566,551
Investment Properties	5,308,580,047	-	-	5,308,580,047	5,308,580,047	-	5,308,580,047
Leasehold Lands	773,704	-	-	773,704	773,704	-	773,704
Intangible Assets	2,773,636	-	-	2,773,636	2,773,636	-	2,773,636
Investment in Subsidiaries	-	-	-	-	20	-	20
Other Investments	73,004,390	-	-	73,004,390	32,722,560	-	32,722,560
Advance for Investment	98,909,871	-	-	98,909,871	98,909,871	-	98,909,871
Total Non-Current Assets	**6,704,972,739**	-	**(33,477)**	**6,704,939,261**	**6,662,326,389**	-	**6,662,326,389**
Current Assets							
Inventories	5,111,039,251	-	-	5,111,039,251	5,111,039,251	-	5,111,039,251
Trade and Other Receivables	1,583,735,186	11,727,533	135,516,636	1,730,979,355	1,377,226,105	11,727,533	1,388,953,638
Receivables from Special Projects / Services	1,244,937,206	53,451,412	-	1,298,388,617	1,244,937,206	53,451,412	1,298,388,617
Receivable from the	-	153,038,180	-	153,038,180	-	153,038,180	153,038,180
Other Non-Financial Assets	34,097,386	-	(27,014,148)	7,083,237	7,083,238	-	7,083,238
Cash and Cash Equivalents	421,249,295	-	112,016	421,361,312	349,195,526	-	349,195,526
Total Current Assets	**8,395,058,324**	**218,217,125**	**108,614,505**	**8,721,889,953**	**8,089,481,326**	**218,217,125**	**8,307,698,450**
Total Assets	**15,100,031,062**	**218,217,125**	**108,581,028**	**15,426,829,214**	**14,751,807,715**	**218,217,125**	**14,970,024,839**
EQUITY AND LIABILITIES							
Equity							
Contributed Capital	4,398,056,590	-	-	4,398,056,590	4,398,056,590	-	4,398,056,590
Reserves	8,747,626,148	-	-	8,747,626,148	8,747,626,148	-	8,747,626,148
Retained Earnings	(12,153,834,911)	-	(7,753,481)	(12,161,588,393)	(12,220,333,960)	-	(12,220,333,960)
Total Equity	**991,847,827**	-	**(7,753,481)**	**984,094,345**	**925,348,778**	-	**925,348,778**
Non-Current Liabilities							
Payables to Treasury	4,929,286,565	-	-	4,929,286,565	4,929,286,565	-	4,929,286,565
Retirement Benefits Obligation	44,053,023	-	-	44,053,023	41,425,477	-	41,425,477
Finance Lease Obligation - (Non-Current Portion)	8,035,318	-	-	8,035,318	8,035,318	-	8,035,318
Total Non-Current Liabilities	**4,981,374,906**	-		**4,981,374,906**	**4,978,747,360**	-	**4,978,747,360**
Current Liabilities							
Trade and Other Payables	927,227,399	-	86,413,280	1,013,640,678	684,371,254	-	684,371,254
Payables for Special Projects / Services	3,371,026,083	218,217,125	-	3,589,243,208	3,371,026,083	218,217,125	3,589,243,208
Bank Borrowings - (Current Portion)	4,316,790,649	-	-	4,316,790,649	4,316,790,649	-	4,316,790,649
Finance Lease Obligation - (Current Portion)	73,968,930	-	-	73,968,930	73,968,930	-	73,968,930
Other Non-Financial Liabilities	428,233,956	-	29,921,329	458,155,186	392,997,954	-	392,997,954
Bank Overdrafts	9,561,312	-	-	9,561,312	8,556,706	-	8,556,706
Total Current Liabilities	**9,126,808,329**	**218,217,125**	**116,334,509**	**9,461,359,964**	**8,847,711,577**	**218,217,125**	**9,065,928,701**
Total Equity and Liabilities	**15,100,031,062**	**218,217,125**	**108,581,028**	**15,426,829,214**	**14,751,807,715**	**218,217,125**	**14,970,024,839**

Figures in brackets indicate deductions

Notes to the Financial Statements Continued

38 Changes in Accounting Policies and Disclosures

New and Amended Standards and Interpretations

The Company has applied SLFRS 15 and SLFRS 9 from 1 January 2018 and the respective transition methods has been explained below.

38.1 SLFRS 15 'Revenue from Contracts with Customers'

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations. Under SLFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

The Company adopted SLFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The standard has only been applied to contracts that were not completed by 01 January 2018.

The following table summarises the impacts of adopting SLFRS 15 on Group's statement of profit or loss and other comprehensive income for the year then ended for each of the line items affected. There was no impact on the comparative figures presented in the statement of financial position, statement of changes in equity and statement of cash flows. Further, the change in accounting policy has no impact on the reported amount of accumulated profits as at 01 January 2018.

Description	As Previously Reported	Effect of Change in Accounting Policy	Adjusted Balance
Group			
Revenue	2,854,384,271	-	2,854,384,271
Company			
Revenue	2,644,505,918	-	2,644,505,918

38.2 SLFRS 9 'Financial Instruments'

SLFRS 9 set out requirements for recognized and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces LKAS 39 - Financial Instruments: Recognition and Measurement. Additionally, the Group has adopted consequential amendments to SLFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2019 but have not been generally applied to comparative information.

SLFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 9 eliminates the previous LKAS 39 categories of held to maturity, loans and receivables and available for sale. SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification and measurement of financial liabilities.

The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SLFRS 9 are recognized in retained earnings and reserves as at 01 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of SLFRS 9, but rather those of LKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

FOR THE YEAR ENDED 31 DECEMBER 2018

The following table and the accompanying notes below explain the original measurement categories under LKAS 39 and the new measurement categories under SLFRS 9 for each class of the Company's financial assets as at 01 January 2018.

Group

Description	Note	Original classification under LKAS 39	New classification under SLFRS 9	Original carrying amount under LKAS 39	New carrying amount under SLFRS 9
Financial Asset					
Investments in Quoted Equity Instruments	14	Available for Sale Financial Assets	Fair value through OCI	10	10
Investments in Unquoted Equity Instruments	14	Available for Sale Financial Assets	Fair value through OCI	204,651,240	204,651,240
Fixed Deposits	14	Loans and Receivables	Amortized Cost	40,281,830	40,281,830
Trade and Other Receivables	17	Loans and Receivables	Amortized Cost	1,497,179,053	1,497,179,053
Receivable from the Treasury	19	Loans and Receivables	Amortized Cost	153,038,180	153,038,180
Cash and Cash Equivalents	21	Loans and Receivables	Amortized Cost	421,361,312	421,361,312
Financial Liabilities					
Payables to Treasury	24	Amortized Cost	Amortized Cost	4,929,286,565	4,929,286,565
Bank Borrowings	26	Amortized Cost	Amortized Cost	4,316,790,649	4,316,790,649
Trade and Other Payables	28	Amortized Cost	Amortized Cost	1,013,640,678	1,013,640,678
Bank Overdrafts	21	Amortized Cost	Amortized Cost	9,561,312	9,561,312

Company

Description	Note	Original Classification Under LKAS 39	New Classification Under SLFRS 9	Original Carrying Amount Under LKAS 39	New Carrying Amount Under SLFRS 9
Financial Asset					
Investments in Quoted Equity Instruments	14	Available for Sale Financial Assets	Fair value through OCI	10	10
Investments in Unquoted Equity Instruments	14	Available for Sale Financial Assets	Fair value through OCI	204,651,240	204,651,240
Trade and Other Receivables	17	Loans and Receivables	Amortized Cost	1,163,283,021	1,163,283,021
Receivable from the Treasury	19	Loans and Receivables	Amortized Cost	153,038,180	153,038,180
Cash and Cash Equivalents	21	Loans and Receivables	Amortized Cost	349,195,526	349,195,526
Financial Liabilities					
Payables to Treasury	24	Amortized Cost	Amortized Cost	4,929,286,565	4,929,286,565
Bank Borrowings	26	Amortized Cost	Amortized Cost	4,316,790,649	4,316,790,649
Trade and Other Payables	28	Amortized Cost	Amortized Cost	684,371,254	684,371,254
Bank Overdrafts	21	Amortized Cost	Amortized Cost	8,556,706	8,556,706

The nature of these adjustments are described below:

(a) Classification and Measurement

Under SLFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of SLFRS 9 did not have a significant impact to the Group. The Group continued measuring at fair value all financial assets previously held at fair value under LKAS 39. The following are the changes in the classification of the Group's financial assets:

Trade receivables and Other non-current financial assets (i.e., Related Party, Fixed Deposits) classified as Loans and receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning 1 January 2018.

Equity investments in non-listed and listed companies previously classified as AFS financial assets are now classified and measured as Equity instruments designated at fair value through OCI. The Group elected to classify irrevocably its non-listed equity investments under this category as it intends to hold these investments for the foreseeable future. There were no impairment losses recognised in profit or loss for these investments in prior periods.

(b) Impairment

The adoption of SLFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. SLFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER	Group		CWE	
	2018	2017	2018	2017
4.1.1 Direct Expenses				
Salary - Daily Pay / Allowances	3,876,252	3,138,834	3,876,252	3,138,834
Employees' Provident Fund	281,661	-	281,661	-
Employees' Trust Fund	70,415	-	70,415	-
Salaries Casual Wages	408,210	408,210	408,210	408,210
Employees' Provident Fund	30,600	30,600	30,600	30,600
Employees' Trust Fund	7,650	7,650	7,650	7,650
Salaries - Permanent Staff	2,161,573	4,797,645	2,161,573	4,797,645
Employees' Provident Fund	230,539	497,489	230,539	497,489
Employees' Trust Fund	57,635	124,372	57,635	124,372
Overtime	911,621	1,262,228	911,621	1,262,228
Advertising / Branding	-	1,879,556	-	1,879,556
Custom Duty	-	11,226,422	-	11,226,422
Port Clearing Charges	-	1,121,661	-	1,121,661
Fumigation Expenses	-	304,251	-	304,251
Loading & Unloading Charges	-	196,614	-	196,614
Security Personnel Expenses / Special Allowances	211,449,877	171,260,106	-	-
Surcharge	10,816	-	-	-
Fuel Allowance	742,810	985,600	-	81,900
License Renewal	17,500	-	-	-
Accommodation Expense	81,500	-	-	-
Fuel Cost	-	654,706	-	654,706
Electricity	-	14,648	-	14,648
Telephone / Other Allowances	-	1,425,824	-	171,324
Telephone & Communication	235,773	655,765	-	289,415
Delivery Order Charges	-	121,712	-	121,712
Tare Deduction	157,329	403,340	157,329	403,340
LC Commission	-	117,889	-	117,889
Internet and Email Charges	-	323,886	-	323,886
Printing & Stationery / Licence	-	319,328	-	220,015
Security Field Visit Expenses	258,914	252,061	-	-
Training Programme - Security Staff	2,500	4,515	-	-
Repair & Maintenance	-	209,081	-	194,081
Packing	-	292,437	-	292,437
Transport. Transport Detection and Other Security	1,047,182	104,503	-	29,873
	222,040,357	**202,140,933**	**8,193,483**	**27,910,758**

5.1.1 Direct Expenses - Transport Services	Group / CWE	
	2018	2017
Fuel	50,804,742	37,738,974
Repair and Maintenance / Other Expenses - Transport	19,864,541	18,793,897
Insurance	-	2,790,975
Licence Fees	350,775	827,884
Lease Interest	-	13,372,991
Depreciation	32,003,569	50,701,702
Salaries - Permanent	58,562,988	63,933,689
Employees' Provident Fund	6,269,969	6,039,905
Employees' Trust Fund	1,567,396	1,509,976
Salary - Daily Pay	12,845,976	13,730,758
Employees' Provident Fund	953,650	1,034,135
Employees' Trust Fund	238,413	258,534
Overtime	37,793,365	32,876,899
Subsistence Allowance	3,170,356	5,331,351
Transport Expenses	3,668,120	665,018
GPS Charges / Transport Detection Charges	1,950,481	2,220,405
	230,044,340	**251,827,093**

Figures in brackets indicates deductions

FOR THE YEAR ENDED 31 DECEMBER 2018

6.1.1 Administrative Expenses

	2018	2017	2018	2017
Allowances	6,526,863	5,884,068	2,233,277	815,026
Salaries - Permanent Staff	98,599,862	91,445,883	84,965,252	83,731,091
Employees' Provident Fund	12,859,902	12,194,836	10,899,126	10,391,176
Employees' Trust Fund	3,215,119	3,048,409	2,724,925	2,597,494
Cost of Living	2,465,796	-	-	-
Overtime	21,474,401	17,085,719	20,721,185	15,848,457
Casual Wages	3,849,686	4,415,486	3,849,686	4,415,486
Incentives	77,250	-	-	-
Staff Bonus Expenses	5,042,825	5,235,088	4,675,825	5,025,275
Contract & Daily Pay Salary	21,306,520	25,585,970	21,306,520	25,585,970
Depreciation	81,299,668	86,083,219	80,452,631	85,571,227
Repairs & Maintainance	1,381,070	2,637,283	930,394	2,343,666
Insurance	7,652,583	720,799	7,568,283	634,399
Licence Fee	20,000	309,835	-	69,835
Fuel Charges	-	15,846,879	-	15,814,310
Fuel Allowances	3,389,647	2,114,492	1,398,395	1,482,692
Fuel Cost	3,926,039	-	3,926,039	-
Inquiry Fees	50,000	-	50,000	-
Tender Allowances	373,750	1,267,000	373,750	1,267,000
Medical Treatment Expenses	-	3,643	-	3,643
Leave Encashments	4,158,979	3,534,202	4,158,979	3,534,202
Professional Fee	1,482,055	1,643,037	1,482,055	1,643,037
Staff Welfare	4,291,610	3,676,392	4,189,548	3,545,650
Uniform Allowance	53,179	59,383	53,179	59,383
Staff Uniform Cost	203,325	309,092	203,325	309,092
GPS Rental Expenses	-	-	-	-
Lodging Charges	165,770	392,130	165,770	392,130
Cleaning Expenses	2,299,205	2,700,173	2,134,322	2,564,473
Compensation Expenses	87,780	531,850	87,780	531,850
Renewal / Membership Fee	50,000	9,000	50,000	9,000
Audit and Tax Consultancy Fee	3,427,695	3,277,850	2,822,250	2,897,250
Ground Rent Expenses	176,117	231,700	176,117	231,700
Directors' / Chairmen's' Allowances	2,033,835	3,813,255	567,000	693,000
Director Fee	1,799,225	2,019,750	1,492,475	1,635,000
Directors' Travelling Expense	39,000	-	-	-
Travelling Allowance	4,403,799	3,869,964	4,285,778	3,869,964
Transport Allowance	1,068,083	80,000	-	-
Entertainment Allowance	749,979	557,031	530,073	552,531
Expenses For Government Audit	480,000	400,000	480,000	400,000
Advertisement Expenses	943,903	144,699	893,128	-
Gratuity	7,301,024	12,448,081	537,402	10,760,581
Gratuity Expenses - Death	25,000	25,000	25,000	25,000
Pension Contribution 25%	-	61,479	-	61,479
Amortization of Leasehold Lands	40,426	40,426	40,426	40,426
Internet and Email	1,450,317	1,750,722	1,450,317	1,750,722
Inventory Items	1,322,782	1,373,004	1,322,782	1,373,004
Penalty Charges	72,761	1,719,988	721	1,719,988
Packing Expenses	40,000	-	40,000	-
P.A.Y.E.	48,828	171,360	-	-
Periodical Expenses	88,750	93,335	88,750	93,335
Travelling Expenses	915,122	1,270,840	915,122	1,168,003
Tax & Rates	5,839,492	11,335,925	5,839,492	11,335,925
Balance C / F	**318,569,021**	**331,418,276**	**280,107,080**	**306,793,471**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT (CWE)
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER 2018	Note	Group 2018	Group 2017	CWE 2018	CWE 2017
Balance B / F		**318,569,021**	**331,418,276**	**280,107,080**	**306,793,471**
Telephone Expenses		2,996,854	2,223,191	2,419,865	1,852,704
Photocopy		20,903	34,516	20,903	34,516
Postage		109,397	154,026	104,302	154,026
Printing & Stationery		4,390,277	4,279,161	3,615,745	3,743,872
Registration & Renewal Fees		896,174	614,792	876,383	543,119
Membership Fees & Professional Fee		18,000	657,266	18,000	657,266
Rent Vehicle / Buildings		5,610,737	12,395,230	4,538,873	9,670,080
Vehicle Repair And Maintenance		-	2,041,137	-	2,041,137
Security		(3,263,542)	5,289,973	21,787,903	3,500,550
Telephone Allowance		1,369,826	1,107,847	1,154,601	989,347
Local Training		346,613	57,500	332,886	57,500
Non Refundable Tender Document Charges		51,170	-	-	-
Subsistence Allowance		66,790	749,213	66,790	727,763
Documentation Charges		33,718	11,121	33,718	11,121
Electricity		17,481,419	16,047,495	17,304,710	15,963,160
Entertainment		905,669	1,869,896	905,669	1,869,896
Secretarial Fee		162,500	112,500	-	-
Foreign Tour Expenses		-	1,464,008	-	1,464,008
Water		2,342,704	1,878,264	2,319,166	1,867,016
Bank Charges		1,222,668	1,516,053	658,626	981,339
Donation		10,000	639,103	10,000	619,103
Legal Expenses		779,308	1,252,574	728,150	1,202,649
NBT		5,149,578	4,031,397	-	-
Office Maintenance		3,207,711	2,919,856	3,087,379	2,884,856
Treatment Expenses - Staff		354,758	91,280	354,758	91,280
Consumable - Head Office		240,515	118,817	-	-
Surcharges / Stamp Fee		1,685	365,485	1,685	337,705
Travelling Expenses		253,386	-	56,621	-
News Papers & Periodicals		1,290	4,950	-	-
Procurement Committee Fees		102,500	12,000	-	-
Tender Related Expenses		-	786,163	-	-
Field Expenses		-	2,456	-	-
Bank Error		7,000	-	7,000	-
Dialog TV Expenses		35,729	-	35,729	-
News Papers		22,000	-	-	-
Vehicle Allowance		4,057,473	-	-	-
Transport Expenses		-	-	-	-
Other Expenses		1,702,382	1,963,574	1,609,497	1,907,814
		369,256,211	**396,109,122**	**342,156,038**	**359,965,298**

Figures in brackets indicates deductions.

Notes to the Financial Statements Continued

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER	Group 2018	Group 2017	CWE 2018	CWE 2017
17.1.1 TRADE RECEIVABLES				
CURRENT BALANCES				
LANKA SATHOSA LTD	53,493,256	53,493,256	53,493,256	53,493,256
PACKETING DEBTOR - CWE	-	289,332	-	289,332
THENUWARA TRADING (PVT) LTD	-	495,200	-	495,200
DEPARTMENT OF MUSLIM RELIGIOUS &CULTURAL	9,500	38,334,500	9,500	38,334,500
RECEIVABLE FROM THE TREASURY - CANNED FISH	-	3,128,160	-	3,128,160
UNIDO-EU TRADE RELATED ASSISTANCE	45,544	64,688	45,544	64,688
UVA PROVINCIAL COUNCIL BADULLA - TRADING	35,000	635,000	35,000	635,000
WAYAMBA CO-OPERATIVE FEDARATION LTD.	(26,904)	(26,904)	(26,904)	(26,904)
RANJITHA TRADERS	(1,235,950)	-	(1,235,950)	-
S D K UNITED AGRI VENTURES (PVT) LTD	(130,000)	-	(130,000)	-
SRI LANKA CO-OP MKT. FEDERATION - LOCAL	43,997,500	-	43,997,500	-
LANKA SATHOSA TRADING	11,045,180	11,045,180	11,045,180	11,045,180
THE CO-OPERATIVE WHOLESALE ESTABLISHMENT	12,878,875	15,865,682	-	-
OTHER SECUIRITY AND JANITORIAL DEBTORS	41,945,658	40,576,957	-	-
	162,057,658	**163,901,050**	**107,233,126**	**107,458,411**
LONG OUSTANDING BALANCES				
KEELS FOOD PRODUCTS PLC	1,032,236	1,032,236	1,032,236	1,032,236
SZECHUAN HOUSE	2,577,320	2,732,120	2,577,320	2,732,120
MATHUGAMA SHOP	119,880	119,880	119,880	119,880
ARPICO SUPER CENTRE	(746)	(746)	(746)	(746)
SRI LANKA COOPERATIVE MARKETING FEDERATION	682,353	682,353	682,353	682,353
N N BANDARA	167,170	167,170	167,170	167,170
P. JAYANTHE	6,850	6,850	6,850	6,850
S.B DISSANAYAKA	2,336	2,336	2,336	2,336
SHIRAN ENTERPRISES	725,000	725,000	725,000	725,000
RUWANI FARM SHOP	392,296	392,296	392,296	392,296
SHALOM DRIED FISH	125,475	125,475	125,475	125,475
A.N.A TRADERS	163,812	163,812	163,812	163,812
ARCHIE FOODS PRODUCTS	10,500	10,500	10,500	10,500
CARGILLS CEYLON LTD	210,000	210,000	210,000	210,000
	6,214,481	**6,369,281**	**6,214,481**	**6,369,281**
	168,272,139	**170,270,331**	**113,447,607**	**113,827,692**
PROVISION FOR IMPAIRMENT	(13,499,366)	(13,654,166)	(6,214,481)	(6,369,281)
	154,772,773	**156,616,165**	**107,233,126**	**107,458,411**

17.2.1 RENT RECEIVABLES

	CWE / GROUP 2018	CWE / GROUP 2017
CURRENT BALANCES		
A.A.J. ABEYSINGHA	4,735	4,735
ABANS LIMITED	4,593,060	1,337,220
ABANS RESTAURANT	2,111,400	739,905
ANTHONEY JERAD - RENT	89,007	12,715
ANUPAMA LOKUGONADUWA	50,319	33,547
AZATH SALLEY FOUNDATION	2,866,751	926,834
BENEDICTSONS (PVT) LTD	1,221,184	414,215
CEYLON FISHERIES CO-OPERATION - RENT	64,187	93,208
BHELCOM LANKA (PRIVATE) LTD	457,332	-
CONSUMER AFFAIRS AUTHORITY	12,632,187	7,997,330
CWE ECONOMIC CENTRES SERVICES - RENT	-	2,851,762
U R S SHANTHA - RENT	77,052	68,315
BALALNCE C / F	**24,167,216**	**14,479,786**

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT (CWE)
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER	Group / CWE 2018	2017
BALANCE B / F		
UVA PROVINCIAL COUNCIL RENT - BADULLE	24,167,216	14,479,786
D D T AMARASEKARA - RENT	685,351	547,687
D NIHAL	513,170	131,913
DEVELOPMENT LOTTERIES BOARD - A'PURA	5,279	5,279
G D SAMARASINGHA - RENT	17,595	1,410,504
G D WIMALADASA - RENT	101,267	19,176
GNANAM IMPORTS (PVT) LTD - RENT	91,220	6,285
INTERNATIONAL TRADE CENTRE - 9TH FLOOR	609,450	234,600
J F WARNAKULASOORIYA - RENT	286,708	319,684
K G CHULARATHNA - RENT	111,107	27,777
K M K INTERNATIONAL (PVT) LTD	93,771	7,943
L A NIMAL ANURASIRI	1,774,850	1,389,731
L.H. UPUL PRIYANTHA MILK BAR -RAJAGIRIYA	3,996	3,996
LANKA CEMENT LIMITED PLC	80,444	62,568
LANKA SATHOSA LTD - RENT	1,497,764	454,533
M ANANDA PIYARATHNE - RENT	98,706,497	91,002,363
M H M ILYARS	220,922	79,654
M Y M FARHIM	34,896	6,852
M I M RASHMI - RENT	103,144	-
MAXIES COMPANY - RENT	415,671	46,504
MEDPRO GLOBAL (PRIVATE) LIMITED	76,767	40,514
MIN OF NATIONAL POLICIES & ECONOMIC AFFAIRS	3,803,439	3,506,892
MINISTRY OF COMMERCE (ITC)	6,753	-
MOBITEL (PVT) LTD - RENT	78,521	-
PADDY MARKETING BOARD - RENT	97,146	
MINISTRY OF RURAL ECONOMIC AFFAIRS	90,711,719	82,397,947
MPCS - RATHNAPURA	641,084	630,177
N E A NANAYAKKARA	147	76
P R WEERASINGHA - RENT	505,480	76,258
SUPPIAH NARAYANSAMY - RENT	338,450	208,141
TYRE HOUSE TRADING (PVT) LTD	184,545	24,567
PROJECT PROSPECTS (PVT) LTD	1,059,996	329,464
RTS FOODS	763,555	1,134,515
STATE PRINTING CORPORATION	539,666	177,568
S SIVA KUMAR	564,509	117,585
S. K. R. MOULANA	14,410	14,410
SATHOSA MOTORS	133,018	-
SATHOSA SECURITY & GENERAL - RENT	14,229,000	7,038,000
SATHOSA SECURITY & GENERAL (PVT) LTD	6,861,149	287,784
SERENDIB INTERNATIONAL HOLDINGS(PVT) LTD	-	136,584
SHMMI ABEYWICKRAMA - RENT	15,249	7,625
SL CEMENT CORPORATION - RENT	398,864	56,352
STATE PHARMACEUTICALS CORPORATION	1,983,747	1,843,897
Y M DISSANAYAKA MANIKE	243,771	237,906
UNIDENTIFIED DEPOSITS	5,864	5,864
	(8,684,772)	-
	244,092,393	**208,508,957**
LONG OUTSTANDING BALANCES		
A K ISHAK		
A K ISHAK - 02	225,098	225,098
A K ROHITHA	9,016	9,016
A SEKAR	49,032	49,032
A V K BANDULA	101,222	101,222
ABDUL HALIK	110,730	110,730
ADHIHETTI	86,551	86,551
KARUPUSAMI MASHWARAN	73,688	73,688
BALALNCE C / F	48,689	48,689
	704,026	**704,026**

Figures in brackets indicates deductions
Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT (CWE)
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER	Group / CWE 2018	Group / CWE 2017
BALALNCE B / F	**704,026**	**704,026**
KOTHMALE BUDGET SHOP	119,464	119,464
ANJEEWA PUSHPAKUMARA	6,693	6,693
ANURADHA PAHIYANGALA	6,106	6,106
BANDULA AMARAWEERA	50,490	50,490
CARAVAN FOODS	184,205	184,205
CHANDARA MOHAN	151,947	151,947
COLLECT CLEANERS LTD	42,000	42,000
D M DISSANAYAKA	2,194	2,194
D V WIMALASIRI	157,585	157,585
D W K HETTIARACHHI	7,545	7,545
DAMBULU VEGETABLE	96,224	96,224
DEVEA BURAIN	109,667	109,667
DIAMOND BEST FOOD	158,634	158,634
DUDLEY SIRISENA	44,738	44,738
ESSENTIAL COMMODITIES	326,337	326,337
G M ALL CEYLON EXERCISE BOOK MANUFACTURER	87,763	87,763
G M KUMARASINGHA	91,935	91,935
G V SUBRAMANIUM	29,650	29,650
GOVISHKTHI RICE MILLING LTD	9,622	9,622
HOT BAKERS - MALIGAWATHTHA	635,204	635,204
J H D JAYAWARDHANA	25,273	25,273
J JALABDEEN	14,441	14,441
J S S FERNANDO	52,612	52,612
J SYRIL	5,589	5,589
JAGATH HEWAGE	70,774	70,774
JANAKI AMARASINGHA	53,172	53,172
K G WEERASINGHA	146,273	146,273
K K PREMARATHNE	23,624	23,624
K KARTHIKESU	219,629	219,629
K KARUPAIYA	30,386	30,386
K MAHINDA RATHNE	115,223	115,223
K W PIYASIRI	110,196	110,196
K W PIYASIRI 02	16,915	16,915
KRISHAN PERERA	130,266	130,266
KRISHANTHA PERERA	69,501	69,501
LANKA BELL COMPANY LTD	613,410	613,410
M A M A KURESH	47,638	47,638
M M RATHNAYAKA	25,619	25,619
M S S N RAMS	164,052	164,052
PALITHA VITHANA	255,540	255,540
PRABATH THUSHARA	44,221	44,221
M WIJEKUMAR	84,133	84,133
M WIJEKUMAR 02	99,998	99,998
METHSIRI WIJESINGHA	70,133	70,133
MUDITHA PERERA	49,295	49,295
N E T SUNDARAN	395,027	395,027
N PERINKAYGAN	74,405	74,405
NATIONAL LOTARIES BOARD	6,250	6,250
P K C RAJAPAKSHA	114,817	114,817
P T NADAN	140,963	140,963
PRADEEP SAMPATH KUMARA	121,124	121,124
PRIYANTHA JAYALAL PERIES	79,290	79,290
R A C DE ALWIS	20,774	20,774
RAIGAM PRODUCTS	66,819	66,819
RUWAN MADURAPPRIYA	72,541	72,541
BALALNCE C / F	**6,651,953**	**6,651,953**

Figures in brackets indicates deductions

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER	Group / CWE 2018	2017
BALALNCE B / F		
SRILANKA ARMY	**6,651,953**	**6,651,953**
RATHNAYAKA	28,053,675	28,053,675
REX FERNANDO	146,273	146,273
S C VEGITABLE SHOP	140,485	140,485
S FERNANDO	114,008	114,008
S K THENUWARA	89,351	89,351
S M MISNER	99,658	99,658
S RAGUNADAN	5,589	5,589
S SIWAM	29,285	29,285
SARATH PUSHPA KUMARA	98,104	98,104
SARDA RASAPUTHTHARAN	46	46
SPELMEN FERNANDO	38,408	38,408
SPICE ALLIED AND MARKE BOARD	12,096	12,096
SUDATH SAJNJEEWA	74,870	74,870
THAIMANA SUNDARAM	51,472	51,472
THISSA WICKRAMASINGHA	69,842	69,842
UDAYA NIYATHAPALA	4,854	4,854
W A WIMALADASA	134,631	134,631
W A WIMALASIRI	5,841	5,841
W M A C WIJESORIYA	6,704	6,704
W M A PUSHPA KUMARA	3,714	3,714
W M A SARATH PUSHPA KUARA	18,737	18,737
W M WIMAL FERNANDO	65,295	65,295
W M WIMALADASA 02	42,491	42,491
WEST ESTERN PVT LTD	13,683	13,683
WIJESIRI GAMLATH	25,000	25,000
A V SIRIPALA	52,164	52,164
AGRICULTURE INSURANCE BOARD 2	14,661	14,661
ASHOKA EXPORT LTD	8,323,071	8,323,071
CEYLON ORIENT SEA FOODS	587,208	587,208
CEYLON SUISAN PVT LTD	1,230,040	1,230,040
COLOMBO GROCERY PVT LTD	499,032	499,032
D J SNACK BAR	569,934	569,934
DY MINISTER OFFICE	36,000	36,000
EVERY MARKETING (PVT) LTD	364,407	364,407
FOOD PROCURMENT AND MONITORING COMMITTEE	55,990	55,990
INSTITUTE OF PRINT AND GRAPHIC	580,966	580,966
J MERKIDS	1,293,750	1,293,750
K A PRIYANTHA	29,400	29,400
K N A HARAS	10,378	10,378
K W A WEERASINGHA	54,667	54,667
K W A WEERASINGHA 02	82,421	82,421
K. ANADARAJAN	138,642	138,642
K. KASTHURIARACHCHI	217,201	217,201
LALITHA SANJEEWA	200,929	200,929
LANKA SPICE LTD	34,954	34,954
LANKA YOUTH BUSINESS PROMOTION	320	320
M M P D SILVA	1,127,795	1,127,795
M.M. AUFER	28,391	28,391
MINARAL SPRING SERVO DISTRIBUTOERS	13,800	13,800
MINISTRY OF HELTHCARE AND NUTRITION	614,643	614,643
MINISTRY OF TEXTILE DEVELOPMENT	2,768	2,768
MINISTRY OF TRADE AND COMMERCE	1,959,090	1,959,090
MOHANDAS	2,939,544	2,939,544
MALAYAGU SASHIKUMAR	98,497	98,497
BALALNCE C / F	2,042,336	2,042,336
	59,199,065	**59,199,065**

Figures in brackets indicates deductions
Notes to the Financial Statements Continued

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT (CWE)
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER	Group / CWE 2018	2017
BALALNCE B / F	**59,199,065**	**59,199,065**
MENDIS CO LTD	38,164	38,164
S A KULAARDENA	19,650	19,650
MUTHUVINAYAGAM	527	527
POLICE STATION - WELISARA	1,255,124	1,255,124
RAMBODA TEA ESTATE PVT LTD	6,393,375	6,393,375
RANGIRI DAMBULU AGRI TRADERS	1,805,329	1,805,329
RATHNA MOTERS	22,168	22,168
NATIONAL DEVELOPMENT BANK	88,200	88,200
ORBIT CARGO	839,500	839,500
P M CHITHRA	58,650	58,650
PARAMOUNT EXPORT	170,293	170,293
PETTHA ENTERPRISES	177,429	177,429
S K FOODS	112,664	112,664
S T PARAMESHWARI	627,006	627,006
SECRATORY OFFICE	677,352	677,352
SHALOM ENTERPRISES	692,940	692,940
SIRIPALA AMARASINGHA	245,177	245,177
SKYLINE VENTURES	437,388	437,388
SRI LANKA NATIONAL CO-OP BOARD	91,814	91,814
T AMARASEKARA	207,287	207,287
T JOSEPHIN NALLTNY	16,066	16,066
THE MACCRTH INTERNATIONAL	604,343	604,343
THUSHARA DE ALWIS	903	903
V. KUMARAVELU	90,596	90,596
WALISARA FG STORES	7,000	7,000
POLICE STATION - KADANA	161,084	161,084
S.T. PARAMESHWARAN	4,800	4,800
WALISARA - BUDJET SHOP RENT	34,253	34,253
LANKA SALUSALA LIMITED	3,179,405	3,179,405
AGRICULTURAL AND AGRARIAN SER: BOARD	3,735,203	3,735,203
BATA SHOE COMPANY	363,375	363,375
BHELCOM LANKA (PVT) LTD	914,528	914,528
CANTEEN-C W E/BILL	244,548	244,548
CHULA SHANTHA	4,101	4,101
CIC LTD/ BILL	(387,291)	(387,291)
CO - OPERATIVE INSURANCE	10,220	10,220
CO-OPRATIVE DEVELOPMENT DEPARTMENT	2,586,128	2,586,128
DEPARTMENT OF TEXTILE - RENT	135,789	135,789
ISHANA SPICE EXPORT	596,736	596,736
K M M ALLIE - RENT	68,110	68,110
L M C THUSHARA DE MEL - RENT	122,922	122,922
LANKA HOSPITALITY INVESTMENTS (PVT) LTD	18,782	18,782
MINISTRY OF CO-OP. AND INTERNAL TRADE	(2,561,896)	(2,561,896)
NATIONAL INSURANCE TRUST FUND/B	2,276,970	2,276,970
ORACLE TRADING LANKA (PVT) LTD.-RENT DR.	525,000	525,000
S H CHANDRAPALA DE SILVA	693,213	693,213
SHANTHA KUMARAGE - RENT	125,001	125,001
SRI LANKA BUREAU OF FOREIGN EMPLOYMENT	859,292	859,292
THE LAUNDROMAT	60,392	60,392
V KUMARA VELU	32,103	32,103
WESCO LIMITED	206,531	206,531
WHEELS (PVT) LTD.	85,423	85,423
YOHAN SEBASTHIYAN - RENT	98,338	98,338
	88,071,071	88,071,071
	332,163,463	296,580,027
PROVISION FOR IMPAIRMENT	(88,071,071)	(88,071,071)
	244,092,393	208,508,957

gures in brackets indicates deductions
ıtes to the Financial Statements Continued

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER			CWE 2018	CWE 2017
17.5.1 OTHER RECEIVABLES				
CURRENT BALANCES				
RENT ASSETS ON VAUNIYA TO BE RECOVERED FROM OWNER	2,805,385	3,285,385	2,805,385	3,285,385
LC MARGIN / BANK GUARANTEE	-	5,000,000	-	5,000,000
MINISTRY OF INDUSTRY & COMMERCE	3,150,617	3,384,451	3,150,617	3,384,451
MINISTRY OF NATIONAL POLICIES ECONOMIC AFFAIRS	140,000	210,000	140,000	210,000
RECEIVABLE FROM INVESTIGATION	7,006,753	-	7,006,753	-
DEATH DONATION / OTHERS	1,470,649	673,948	-	-
OTHER ADVANCES AND RECEIVABLES	4,614,635	4,130,594	22,083	22,083
UNIDENTIFIED DEPOSITS	(140,558)	-	(140,558)	-
	19,047,480	**16,684,379**	**12,984,281**	**11,901,920**
Long Outstanding				
PASSENGER GOODS CLEARING CENTRE	1,259,250	1,259,250	1,259,250	1,259,250
CUSTOM DUTY RECEIVABLE	1,887,950	1,887,950	1,887,950	1,887,950
PHYSICAL STOCK	6,171	6,171	6,171	6,171
REIMBURSEMENT - TREASURY	1,500,000	1,500,000	1,500,000	1,500,000
THE MAYOR , MUNICIPAL COUNCIL	5,985,150	5,985,150	5,985,150	5,985,150
STATE TRADING (CWE) - RECURRENT EX: REIM	10,116,136	10,116,136	10,116,136	10,116,136
ST. ANNES COLLAGE - KURUNAGALA (MAHAPOLA)	(2,111,452)	(2,111,452)	(2,111,452)	(2,111,452)
FRANCHISE - MADHUSHIKA (KADAWATHA)	980	980	980	980
H Y ARIYARATHNA	137,481	137,481	137,481	137,481
LEAKAGE RECOVERY	3,318,422	3,318,422	3,318,422	3,318,422
BUILDING MATIRIALS CO-OPERATION - LOAN	982,498	982,498	982,498	982,498
PADDY MARKETING BOARD - SECUIRITY	1,641,777	1,641,777	1,641,777	1,641,777
DILSHEE ENTERPRISES	(173)	(173)	(173)	(173)
FERNANDO	14,000	14,000	14,000	14,000
PRE PAYMENT AND ADVANCE	31,441,577	31,441,577	31,441,577	31,441,577
DISHONORED CHEQUES	3,830,707	3,830,707	3,830,707	3,830,707
DAY SHEET CONTROL A/C	1,375,438	1,375,438	1,375,438	1,375,438
EXESS DEBITS	32,842	32,842	32,842	32,842
POSTAGE AND PETTY CASH IMPREST	2,042,553	2,042,553	2,042,553	2,042,553
SMART CARD	(23,453)	(23,453)	(23,453)	(23,453)
CLAIM RECEIVABLE	6,932,494	6,932,494	6,932,494	6,932,494
DUES FROM TREASURY	100,000,000	100,000,000	100,000,000	100,000,000
	170,370,348	**170,370,348**	**170,370,348**	**170,370,348**
	189,417,828	**187,054,727**	**183,354,628**	**182,272,268**
PROVISION FOR IMPAIRMENT	(170,370,348)	(170,370,348)	(170,370,348)	(170,370,348)
	19,047,480	**16,684,379**	**12,984,281**	**11,901,920**

			CWE 2018	CWE 2017
18.1.1 RECEIVABLES FROM SPECIAL PROJECTS / SERVICES				
CREATES RECEIVABLES				
MANAGER - DAMBULLA ECONOMIC CENTRE			443,861	443,861
MANAGER - VEYANGODA ECONOMIC CENTRE			588,333	588,333
MANAGER- KEPPETIPOLA ECONOMIC CENTRE			241,256	241,256
MANAGER - NUWARA ELIYA ECONOMIC -PROJECT			1,935,182	1,935,182
SL ARMY AGRICULTURAL PROJECT			51,713	51,713
CRATES SALES - CONTROL A/C			(21,239)	(21,239)
G.G.D SOMILAS			616,001	616,001
K DAMMIKA			531,375	531,375
W L JAYARATHNE			1	1
W M ARUNA SHANTHA			346,335	346,335
			4,732,816	**4,732,816**

THE CO-OPERATIVE WHOLESALE ESTABLISHMENT (CWE)
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER	Group 2018	Group 2017	CWE 2018	CWE 2017
MILCO PROJECT				
MILCO DEBTORS - VAUNIYA			2,559,387	2,621,912
MILCO DEBTORS - JAFFNA			54,570	54,570
SATHOSA SECRRITY & GENERAL - MILCO DEBTOS			136,584	-
MILCO DEBTORS - KILINOCHCHI			242,400	242,400
MILCO DEBTORS - STAFF			-	-
MILCO DEBTORS - GAMPAHA			2,252,668	-
MILCO DEBTORS - KALUTARA			1,915,836	-
MILCO DEBTORS - HEAD OFFICE			-	136,584
LANKA SATHOSA - MILCO (KALUTHARA)			-	1,606,774
LANKA SATHOSA - MILLCO (GAMPAHA)			-	1,802,398
LANKA SATHOSA - MILLCO (COLOMBO)			15,298,126	22,855,237
			22,459,571	**29,319,875**
DEPARTMENT OF CO-OPERATIVE DEVELOPMENT - (FUNDED PROJECT)				
RECEIVABLES FROM MCPS			16,037,352	16,840,429
			16,037,352	**16,840,429**
PADDY OPERATION - GOVERNMENT INSTITUTIONS - AGAINST RICE PURCHASES				
SRI LANKA CONSUMER CO-OP FEDARATION SOCIETY			669,935	669,935
LANKA SATHOSA LTD			333,204,397	(99,319,719)
MANOJ ALGAMA - HSBC			83,200	83,200
MRR RICE MILL			267	267
R A J H RUPASINGHA			480,631	480,631
SELWARAJ			73,275	73,275
			334,511,704	**(98,012,411)**
PADDY OPERATION - RECEIVABLES FROM MILLERS (NET)				
ANAS RICE MILL			703,883	703,883
KINAM RICE MILL (THIS BALANCE HAS BEEN FULLY SETTLED ON 20 MARCH 2015)			(80,115)	(80,115)
RUSDIYA RICE MILL (THIS BALANCE HAS BEEN FULLY SETTLED ON 08 DECEMBER 2015)			(169,530)	(169,530)
RICE LANKA PROCESSING LTD			51,300,482	51,300,482
MEGA RICE MILL			6,456,639	6,456,639
S G M RICE MILL			104,456	104,456
NAVEEN RICE MILL			9,745,658	9,745,658
KEYAS RICE MILL			342,259	342,259
SURESH RICE MILL			(1,593)	(1,593)
MAJEED RICE MILL			3,809,425	3,809,425
KHALEEFA RICE MILL			-	94,052,922
OTHER PRIVATE MILLERS			-	218,217,125
			72,211,564	**384,481,610**
IMPORT RICE PROJECT - RECEIVABLE				
SMART GLOBAL			-	5,000,000
WESCO			-	176,000
AMIR CHAND JAGADISH - RECEIVABLE			-	7,129,909
RAW GATES LANKA (PVT) LTD			118,011,334	-
W. R. WIJITHA			5,574,812	-
SRI LANKA CO-OP CON. SOCIETY - IMPORT			862,491,250	-
SRI LANKA CO-OP MKT. FEDERATION - IMPORT			114,440,600	-
LANKA SATHOSA - IMPORT RICE			1,539,588,776	150,049,389
			2,640,106,771	**162,355,298**

Figures in brackets indicates deductions

(Expressed in Sri Lankan Rupee

FOR THE YEAR ENDED 31 DECEMBER	Group 2018	Group 2017	CWE 2018	CWE 2017
DROUGHT RELIFE PROJECT - RECEIVABLE				
MPCS KURUNEGALA			5,102,904	12,436,00(
MPCS WELIGAMA			670,000	670,00(
MULTI PURPOSE CO-OPERATIVE S. L - MATARA			336,090	336,09(
PUDHUKUDIERUPPU - MPCS			-	8,691,00(
MANNAR NORTH - MPCS (MANTHAI)			1,863,000	8,454,00
MARITIMEPATRU - MPCS			-	11,337,36(
NEDUNKENI TAMIL DIVISION - MPCS			-	1,215,40(
ODDUSUDAN - MPCS			-	2,299,50(
PANANKAMAMPATRU - MPCS			-	5,428,64
THUNUKKAI - MPCS			15,600	4,127,06(
VAVUNIYA SOUTH SINHALA - MPCS			-	4,033,77(
VAVUNIYA TAMIL (TOWN) -MPCS			28,224	17,796,38
VISHVAMADU - MPCS			723,944	2,768,83(
MUSALI NORTH & SOUTH - MPCS			3,263,282	12,763,282
DIMBULAGALA - MPCS			(1,284,000)	322,404
DIVISION SECRETARIAT PADIYATHALAWA			-	150,338
MADU - MPCS			23,464	2,479,264
MANNA TOWN - MPCS			510,947	31,922,245
MANNAR - WEST MPCS			1,237,680	6,140,240
MANNAR SOUTH - MPCS (UYILANKULAM)			-	4,975,887
MPCS - BATHTHARAMULLA			7,600	7,600
MPCS - KOLONNAWA			222,000	222,000
MPCS - MORATUWA			29,600	29,600
MEDAWACHCHIYA - MPCS			-	1,481,568
MURUNGAN NANATTAN - MPCS			522,664	11,822,177
SETTIKULAM - MPCS			-	8,478,290
			13,272,998	160,388,945
LOCAL RICE PROJECT - RECEIVABLE				
CARGILLS CEYLON LTD			-	19,567,772
			-	19,567,772
PACKETING DEBTORS				
CIVIL SECURITY DEPARTMENT			-	524,875
			-	524,875
RICE PROJECT				
E.I.T GLOBAL - IMPORT RICE			(57,280)	(57,280)
			(57,280)	(57,280)
18.1.1 TRANSPORT SERVICES				
LANKA SATHOSA LTD - SOU			299,225,940	385,488,022
TRANSPORT SERVICES PROVIDED				
LANKA SATHOSA LTD			139,645,373	134,948,620
SRI LANKA CO-OP CON. SOCIETY			42,456	42,456
HEMAS LOGISTICS (PVT) LTD			-	-
OTHER TRANSPORT RECEIVABLES			130,481,949	54,860,420
			569,395,719	575,339,518
			3,672,671,216	1,255,481,447
18.2.1 PAYABLES FOR SPECIAL PROJECTS / SERVICES				
CREATES				
NILKAMAL ESWARAN PLASTIC (PVT)LTD			329,338	329,338
NIPPON PLASTIC INDUSTRIES			265,548	265,548
PHOENIX INDUSTRIES LTD			7,136,972	7,136,972
			7,731,857	7,731,857

Figures in brackets indicates deductions

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FOR THE YEAR ENDED 31 DECEMBER	Group 2018	Group 2017	CWE 2018	CWE 2017
28.1.1 TRADE PAYABLES				
CURRENT BALANCES				
AMBULA 2K FOODS PRODUCTS PVT. LTD	256,160	256,160	256,160	256,160
C.F. DE MEL & SONS (PVT) LTD	974,494	813,558	974,494	813,558
CONFIFI CAPITAL (PVT) LTD	392,782	392,782	392,782	392,782
D M D K HOLDINGS (PVT) LTD	2,793,423	11,133,792	2,793,423	11,133,792
FONTERRA BRANDS LANKA (PVT) LIMITED	(257,357)	(257,357)	(257,357)	(257,357)
HAJI HABIB COMPANY CEYLON LTD	80,000	360,000	80,000	360,000
HAPPY COOK LANKA FOOD (PVT) LTD	4,431,415	16,629,108	4,431,415	16,629,108
MAXIES & COMPANY (PVT) LTD	64,685	64,685	64,685	64,685
PATHUMA RICE MILL	1,307,571	1,307,571	1,307,571	1,307,571
R.S. BERTRAM FERNANDO	214,300	211,000	214,300	211,000
RELIC INTERNATIONAL	(32,000)	(32,000)	(32,000)	(32,000)
RETENTION PAYABLE	21,392,668	21,190,245	-	-
STATE TRADING(CO - OP WHOLESALES EST) CO	2,204,335	2,312,080	2,156,835	2,264,580
CONSTRUTION PAYABLE	207,784,727	285,164,136	-	-
SUB-CONTRACTORS	24,122,029	21,935,543	-	-
PULSES SPLITTING & PROCESSING INDUSTRY	-	2,594,800	-	2,594,800
SHANMUGAM STORES	1,125,000	1,125,000	1,125,000	1,125,000
COMMON WEALTH ENTERPRISES	-	3,684,667	-	3,684,667
CWE CREDITOR - PACKETING	-	289,332	-	289,332
LANKA SATHOSA - CREDITOR	11,997,140	14,000,740	11,997,140	14,000,740
GLOBAL TRADING & CO.	-	1,702,806	-	1,702,806
CUSTOM DUTY PAYABLE	-	2,626,919	-	2,626,919
MILLING CHARGES PAYABLE TO MILLS	-	232,563,305	-	232,563,305
CRESCENT INTERNATIONAL (PVT) LTD	-	104,000	-	104,000
FOOD COMMISSIONERS DEPARTMENT (RENT)	17,623,232	-	17,623,232	-
OTHER TRADE CREDITORS	1,835	-	-	-
LANKA POLYSACKS (PVT) LTD	3,477,600	3,149,496	3,477,600	3,149,496
	299,954,039	**623,322,367**	**46,605,280**	**294,984,943**
LONG OUTSTANDING				
AGROMA LANKA TRADING PVT LTD	78,396	78,396	78,396	78,396
C & C FOOD PRODUCTS (PVT) LTD	3,701	3,701	3,701	3,701
DART LANKA TRADING COMPANY	180,572	180,572	180,572	180,572
DJ PRODUCTS (PVT) LTD	654	654	654	654
GEWAAN ENGINEERING	1,197,449	1,197,449	1,197,449	1,197,449
KAJAMUHAN TRADING	9,604	9,604	9,604	9,604
NOORANI ESTATES LIMITED	62,457	62,457	62,457	62,457
P.K. AMILA RANJITH (THE COCONUT)	(152)	(152)	(152)	(152)
S.S. AGENCY	19,500	19,500	19,500	19,500
SMART WHEELS (PVT) LTD	20,184	20,184	20,184	20,184
SUBASINGHE PRODUCTS	1,498	1,498	1,498	1,498
SWITZ LANKA (PVT) LTD.,	246,636	246,636	246,636	246,636
VILLAGE	1,386	1,386	1,386	1,386
CHILAW PLANTATION	600,000	600,000	600,000	600,000
HAJI HABIB COMPANY CEYLON LTD	225,000	225,000	225,000	225,000
J D VENTURES	6,937	6,937	6,937	6,937
STAR TRADING COMPANY PVT LTD	809,892	809,892	809,892	809,892
GAYAN STORES	164,373	164,373	164,373	164,373
KUMARA ENTERPRISES	48,603	48,603	48,603	48,603
RANJITHA TRADERS	17,755	17,755	17,755	17,755
RELIC INTERNATIONAL	34,250	34,250	34,250	34,250
T G C TRADERS	17,226	17,226	17,226	17,226
W A N NUWAN KUMARA	132,025	132,025	132,025	132,025
S E S FOOD PRODUCTS PVT LTD	714,807	714,807	714,807	714,807
BALALNCE C / F	**4,592,752**	**4,592,752**	**4,592,752**	**4,592,752**

Figures in brackets indicates deductions

Notes to the Financial Statements Continued

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER	Group 2018	Group 2017	CWE 2018	CWE 2017
BALALNCE B / F	4,592,752	4,592,752	4,592,752	4,592,752
SEWANAGALA SUGER INDUSTRY LTD	1,265,000	1,265,000	1,265,000	1,265,000
CEYLON WEIGHING MACHINES LIMITED - TP	150,749	150,749	150,749	150,749
N B FOODS	24,670	24,670	24,670	24,670
PULSES SPLITTING &PROCESSING INDUSTRY-TP	(2,828,782)	(2,828,782)	(2,828,782)	(2,828,782)
SRI LANKA TELECOM PLC - TP	10,968	10,968	10,968	10,968
STC GENERAL TRADING CO LTD - TP	(64,375)	(64,375)	(64,375)	(64,375)
WILSON TRADING COMPANY - TP	368,182	368,182	368,182	368,182
	3,519,166	**3,519,166**	**3,519,166**	**3,519,166**
	303,473,204	**626,841,532**	**50,124,445**	**298,504,108**
28.2.1 OTHER PAYABLES				
CURRENT BALANCES				
CONSTRUCTION PAYABLE A/ C	(8,034,928)	(8,034,928)	(8,034,928)	(8,034,928)
ABC TRADE & INVESTMENTS (PVT) LTD	-	13,000	-	13,000
CEYLON SHIPPING CORPORATION LIMITED	12,500,516	61,285,458	12,500,516	61,285,458
MBSL INSURANCE COMPANY LIMITED	-	141,659	-	141,659
SKYLINE CONCEPTS	(5,115,853)	24,083,279	(5,115,853)	24,083,279
SUPREME HILTOP (PVT) LTD	-	75,619	-	75,619
TESS (PVT) LTD	2,878,203	17,860,587	2,878,203	17,860,587
NELSON AUTO SERVICE	-	172,104	-	172,104
SECURITY DEPOSIT FUND	2,803,239	2,803,239	2,803,239	2,803,239
SUNDRY CREDITOR - EQUIPMENT	-	42,660	-	42,660
FLOOD DONATION PAYABLE	20,432	20,432	20,432	20,432
ACCESS NATURAL WATER (PVT) LTD	29,032	28,152	29,032	28,152
GOLD PACK INDUSTRIES	-	522,603	-	522,603
A.R. CONSTRUCTION	24,890	-	24,890	-
CARGILLS CEYLON LTD	(380,918)	-	(380,918)	-
DISTRICT COURT OF NEGOMGO	(22,080)	-	(22,080)	-
DIVISION SECRETARIAL PADIYATHALAWA	(150,338)	-	(150,338)	-
	4,552,193	**99,013,862**	**4,552,193**	**99,013,862**
LONG OUTSTANDING				
CONSTRUCTION PAYABLE A/ C	(8,393,084)	(8,393,084)	(8,393,084)	(8,393,084)
SUSPENSE ACCOUNT	(678,169)	(678,169)	(678,169)	(678,169)
DESIGN POINT (PVT) LTD	2,026,740	2,026,740	2,026,740	2,026,740
SPAN CONSTRUCTION	16,843,437	16,843,437	16,843,437	16,843,437
SUNIL TRADERS	15,750	15,750	15,750	15,750
CALCULATION ERROR	1,050,494	1,050,494	1,050,494	1,050,494
CONSOLIDATED FUND	375,000	375,000	375,000	375,000
EXCESS COLLECTION	208,797	208,797	208,797	208,797
EXPENDITURE 1460402	941,821	941,821	941,821	941,821
GIFT VOUCHER ISSUES	1,000	1,000	1,000	1,000
OTHERS	920	920	920	920
REMITTANCE CONTROLS	795,329	795,329	795,329	795,329
REVENUE	102,878,173	102,878,173	102,878,173	102,878,173
SUNDRY CREDITORS - SALARY	307,094	307,094	307,094	307,094
SURCHARGES	36,924	36,924	36,924	36,924
SUSPENSE	3,368,597	3,368,598	3,368,597	3,368,598
TRANSPORT FACILITY	45,496	45,496	45,496	45,496
UN IDNTIFIED OPENING BALANCE	1,050,493	1,050,493	1,050,493	1,050,493
VRS 1460307	436,761	436,761	436,761	436,761
FINES	3,030	3,030	3,030	3,030
BOOK KEEPING	66,363,460	66,363,460	66,363,460	66,363,460
	187,678,063	**187,678,064**	**187,678,063**	**187,678,064**
	192,230,257	**286,691,927**	**192,230,257**	**286,691,927**

Figures in brackets indicates deductions
Notes to the Financial Statements Continued

(Expressed in Sri Lankan Rupees)

FOR THE YEAR ENDED 31 DECEMBER	Group 2018	Group 2017	CWE 2018	CWE 2017
28.3.1 Refundable Deposits				
REFUNDABLE DEPOSITS - LONG OUTSTANDING	11,944,722	11,944,722	11,944,722	11,944,722
- CURRENT	9,566,623	14,708,045	9,566,623	14,708,045
TENDER DEPOSITS	988,979	537,979	988,979	537,979
RENT ADVANCE	432,000	-	-	-
RENT DEPOSIT - STATE PHARMACEUTICAL CO-OPERATION	-	500,000	-	-
SECUIRITY DEPOSITS / RENT DEPOSITS	500,000	432,000	-	-
	23,432,324	**28,122,746**	**22,500,324**	**27,190,746**
29.1.1 ACCRUED EXPENSES				
SALARIES & ALLOWANCES CONTROLS	19,506,556	17,331,668	38,311	30,911
EPF AND ETF PAYABLES	2,902,185	142,643	-	-
STAFF SALARY DEDUCTIONS	4,288,255	6,032,775	4,209,745	3,307,808
AUDIT FEES / TAX CONSULTANCY	20,745,737	17,757,387	19,545,437	16,871,687
ADVERTISING EXPENSES	-	375,230	-	375,230
ALLOWANCES	2,000	134,000	2,000	4,000
CASUAL WAGES / CONTRACT	3,247,942	4,410,188	3,247,942	4,410,188
CLEANING / CONSUMABLES / OTHERS	350,000	448,400	350,000	448,400
CHAIRMAN"S TELEPHONE REIMBERSEMENT	5,193	-	-	-
CHAIRMAN'S SALARIES & OTHER PAYABLES	14,275	14,275	-	-
CONSULTANCY FEES	1,281,642	3,281,642	-	-
DEATH DONATION PAYABLE	754,494	-	-	-
ELECTRICITY	2,801,674	2,387,292	2,779,335	2,302,956
FUMIGATION EXPENSES	-	63,851	-	63,851
LEAVE ENCASHMENT A/C	4,138,196	3,534,202	4,138,196	3,534,202
LEGAL & PROFESSIONAL EXPENSES	28,000	425,700	18,000	415,700
OVER TIME PAYMENT	4,345,929	4,931,736	4,297,457	4,910,940
PRINTING & STATIONERY	77,557	115,717	77,557	115,717
RENT EXPENSES / HIRING	9,835,531	7,225,410	401,333	286,581
REPAIRES AND MAINTANANCE	-	173,139	-	173,139
PROCUREMENT COMMITTEE FEES	-	12,000	-	-
PAYE TAX PAYABLE	52,955	240,900	-	-
SUBSISTANCE ALLOWANCE	510,500	1,003,025	510,500	1,003,025
TAX AND RATES	5,918,281	5,920,523	5,918,281	5,920,523
TELEPHONE ALLOWENCE	94,808	93,935	94,808	93,935
TELEPHONE EXPENSES	283,628	450,126	117,276	292,641
TRAVELLING EXPENCES LOCAL	-	48,385	-	-
TRAVALING ALLOWANCE	-	40,000	-	40,000
TELEPHONE ALLOWANCE	45,725	-	-	-
ADVERTISEMENT	57,375	-	-	-
BONUS	25,000	-	-	-
WATER	530,833	411,595	529,581	400,347
AGREEMENT RENEWALS	-	29,624	-	29,624
INTERNET & EMAIL CHARGES	213,806	216,453	213,806	216,453
INSURANCE	33,121	35,271	-	-
PENSION	21,765	72,387	21,765	72,387
ACCRUED DIALOG TV BILL	29,162	-	29,162	-
PROGRESSIVE WORKERS UNION	4,900	-	4,900	-
OTHER JENITORIAL	550,471	-	-	-
UNIDENTIFIED DEPOSIT	27,750	27,750	-	-
REFUNDABLE BID SECURITY	4,000	-	-	-
LICENCE FEES / OTHERS	96,057	123,015	-	-
	82,825,301	**77,510,241**	**46,545,391**	**45,320,242**

Figures in brackets indicates deductions.

Chairman
Cooperative Wholesale Establishment

Report of the Auditor General on the Financial Statements and other Legal and Regulatory Requirements of the Co-operative Wholesale Establishment (CWE) for the year ended 31December 2018 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

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1. Financial Statements

1.1 QualifiedOpinion

The audit of the financial statements of the Co-operative Wholesale Establishment for the year ended 31st December 2018 comprising the statement of financial positionas at 31st December 2018 and the profit and loss and other statements of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions of the National Audit Act No. 19 of 2018 and the Finance Act No. 38 of 1971 to be read in conjunction with Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. Due to the delay in financial reports, the report on the transactions of the CWE was tabled in parliament in all three languages on 12thJanuary 2021. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of theAuthorityas at 31stDecember 2018 and of its financial performance and its cash flows for the year then ended.

1.2 Basisfor Qualified Opinion

(a) Non compliance with the Sri Lanka Accounting Standards (LKAS)

(i) LKAS 08 – Accounting Policies, Changes in Accounting Estimates and Errors

As per the above standard, an entity shall correct material prior period errors retrospectively in the first set of financial statements restating the comparative amounts for the prior periods presented in which the error occurred.

- In accordance with the information presented for audit the expenses of Rs. 290,802,512 relevant to the year 2017 spent on milling had been stated as expenses on milling of the year under review. Accordingly, the deficit and the accumulated fund of the year under review had been over stated.

- A sum of Rs. 6,028,355 which should be refunded to the CWE from the control and agent fees paid in the year 2017 in respect of the imported rice project had been identified as an income in the year under review and consequently deficit and the accumulated fund of the year under review had been under stated.

(ii) LKAS 16:- Plant, Property and Equipment

- Residual value and useful life time of an asset should be reviewed at least at the end of every financial year and if the expected situations are different from the above estimates, such difference shall be accounted as a difference in an accounting estimate in accordance with LKAS 08. However, residual value and useful time of buildings, refurbishments of buildings in leased lands, machinery, motor vehicles, furniture and fixtures, office equipment, computers and computer accessories at the value of Rs. 535,560,027 which was written off as at 31st of December 2018 had not been reviewed.

- Carrying value19 machinery, 474 furniture and fixtures, 94 motor vehicles, 14 fittings and equipment, 149 office equipment and 250 computer and computer accessories totally depreciated and being used even at present had not been disclosed in Financial Statements.

(iii) LKAS 37 – Provisions, Contingent Liabilities and Contingent Assets

(a) In accordance with the above standard even though an entity should not identify continent assets in financial statements, assets amounting Rs. 25,900,236/- which are expected to be received from a case being heard in respect of misplacing under the imported rice project had not been identified in the financial statements.

(b) Even though the building material stock amounting Rs. 4,143,032 which has been entered in the financial statements as the inventory of the Building Department as at 31st of December 2018 has been entered in the financial statements from 2004 onwards, its physical existence was not established in the through the audit evidence. Accordingly, stock balance as at 31st of December 201 had been over stated.

(c) Even though the revaluated value of the land where the Head Office of the CWE and Sathosa Motors are located is Rs. 2,415,000,000, its value had been accounted as Rs. 2,621,600,000. Consequently, the value of lands and investment property had been overstated by Rs. 20,600,000.

(d) Even though the revaluated value of the stores situated in Matara is 2944 sqft is Rs. 3,532,800 it had been accounted as Rs. 1,177,600. Hence, the value of buildings had been understated by Rs. 2,355,200.

(e) Since 15 items of improving a building in Hingurakoda which is at the value of Rs. 112,943,520 had been accounted as Rs. 68,868,000, the balance of Building Improvement Account had been understated by Rs. 44,075,520. Accordingly, depreciated value of the year had been accounted by understating a sum of Rs. 1,763,021.

(f) CWEhad not financially contributed for the contribution of shares of Lanka Sathosa Ltd. and it had been set off by Rs. 121,708,711 as the accumulated rental of Rs.66,986,483 for the period from 2005 to 2011 of the buildings which had been leased to Lanka Sathosa Ltd. by the CWE and the fixed assets at the value of Rs. 5,722,22 which had been provided to Sathosa Outlets by the CWE. Of this amount, a sum of Rs. 22,798,840 which had been allocated by Lanka Sathosa Ltd. had been stated as investments in the financial statements in the year under review and the balance of Rs.98,909,871 had been stated as investment advance under long term assets in the financial statements. However, Lanka Sathosa Ltd. Had not agreed that mount and no provisions had not been made in this regard in the financial statements of Lanka Sathosa Ltd.

(g) The holdovertax at the total of Rs. 5,645,127 which is relevant to the building rental income received by the CWE from 09 institutes during the year under review had not been accounted and when accounting holdover of Rs. 2,585,210 on rental received from

03 institutes had been credited to the Holdover Output Account instead of debiting it and consequently, the balance of Holdover Output Account had been understated by Rs. 10,815,547.

(h) Even though fixed assets of Rs. 19,422,155 had been stated within the balance of cash and cash equivalents as at 31st of December 2018, as per the information submitted by that date the balance of fixed assets was Rs. 18,382,415 and the balance of sixed assets had been overstated by Rs. 1,039,740.

(i) The interest income of fixed assets, term deposits and saving deposits at the value of Rs. 2,880,430 relevant to the year under review had not been identified and accounted as income of the year under review and accordingly, interest income and due interest of the year under review had been understated.

(j) As per the information submitted for audit, even though the rental income was Rs. 229,528,611, as per the financial statements it was Rs. 230,716,982 and a difference of Rs. 1,188,371 was observed.

(k) Instead of identifying and entering into relevant accounts, the deposits of Rs. 8,684,772 received to the current account of the CWE as direct remittance had been stated in the financial statements as unidentified deposits having deducted the due rental balances.

(l) Instead of identifying the value Rs. 25,900,236 of 377,175.5 Kg of misplaced rice related to the Rice Import Project as stock losses and consequently the loss of the Rice Import Project had been understated by Rs. 51,800,472.

(m) Finished stocks which cannot be used at the total of Rs. 1,855,609had been included in the inventory as at the end of the year under review and since they had not been included having identified them as damaged stocks , the value of the stock as at 31st of December 2018 had been overstated.

(n) It had been subsequently identified that rice stocks at the value of Rs. 9,660,966 which had been accounted as purchasing cost under the Rice Import Project had not been imported and as a result the project monitoring entity had refunded that amount to the CWE. Instead of removing it from the purchasing cost, it had been identified as other income and resultantly purchasing cost of the project had been overstated.

(o) The value of 47,294Kg of rice stored in Hingurakgoda and Pannegamuwa stores had not been accounted as at 31st of December 2018.

(p) The assessment tax of Rs. 79,663,828 to be paid to the Urban Treasury Department had been accounted as Rs. 71,984,473 and as a result due assessment tax was understated by Rs. 7,679,355.

(q) As per the document issued by the bank, the accrualinterest for the loan facility obtained from the People's Bank for the Rice Import Project to be paid as at 31st of December 2018 was Rs. 50,590,969, it had been accounted as Rs. 40,412,162. Hence, the balance of accrual interest and interest expenditure of the year had been understated by Rs. 10,178,807.

(r) Since some debtors' balances and creditors' balances had been stated as minus balances, the receivable and payable balances as at the end of the year under review had been understated respectively by Rs. 7,760,946 and Rs. 25,647,657.

(s) The following observations are made in respect of preparing consolidated financial statements.

(i) When preparing the Consolidated Financial Statements of the CWE, financial statements which have not been approved and audited by the Board of Directors of the subsidiaries of the CWE; CWE Economic Centres Services (Pvt.) Ltd. and CWE Construction and Engineering (Pvt.) Ltd. had been used.

(ii) Intangible assets amounting Rs. 99,000 stated in the Financial Statements of the CWE Construction and Engineering (Pvt.) Ltd. had been stated under property, plant and equipment in the consolidated financial statements.

(iii) The security expense of the CWE was Rs. 21,787,903 under the administrative expenses of the financial statements and as per the financial statements of 02 subsidiaries security expenses had not been stated as per the financial statements of 02 subsidiaries. In the financial statements it had been stated that the income received by the CWE from CWE Economic Centres Services (Pvt.) Ltd. is Rs. 21,756,949. However, as per the Consolidated Financial Statements, the security expense of the group had a minus value of Rs. 3,263,542.

(iv) As per the financial statements of the CWE and its 2 subsidiaries even though the total balance of the trade and other receivables was Rs. 721,435,806 as at31st of December 2018 and since it was Rs. 721,525,003 as per the consolidated financial statements, a gap of Rs. 89,197 was observed.

(v) As per the financial statements of the CWE and the two subsidiaries, even though the total of the administrative expenses of the year under review was Rs.

398,884,845 and since it was Rs. 369,256,211 as per the consolidated financial statement, a gap of Rs. 29,628,634 was observed.

(t) Since evidence on the following accounting balances at the value of Rs. 2,416,485,545 as at the end of 31st of December 2018 was not submitted for audit it was unable to observe or admit in satisfactory manner.

	Item	Value (Rs.)	Evidence
(i)	Due balances to the treasury	98,718,402	Documents to confirm that loan has been settled by the Treasury to the Financial Institute
	SRL-Creditors	655,000,000	Documents to confirm the value
	Bank liabilities	225,000,000	Documents to confirm the value
	Received selling value	680,000,000	Documents to confirm received selling value
(ii)	Other Debtors – Gamata Saviya Project	42,568,994	Invoices, Receipts
(iii)	Long term trade creditors' balance	3,519,166	Invoices, payment details, chronological analysis
(iv)	Long term trade creditors' balance	187,678,063	Invoices, payment details, chronological analysis
(v)	Due VAT	150,812,239	Calculations and payments
(vi)	Due current tax	161,833,614	Calculations and payments
(vii)	Deposits and advances – long term	29,692,440	Receipts of deposits
(viii)	Balance of Receivable Interest Account as at January 2018	3,851,521	Renewable notices received from the relevant bank in respect of fixed deposits
(ix)	Balance of fixed deposits	5,882,416	Certificates of fixed deposits and renewable notices received from the bank
(x)	Other investments	171,928,690	Documents of confirming

CWE Retail Ltd.		investment value
Total	**2,416,485,545**	

(u) Since information on the quantity of sold rice was not submitted, the average leakage accounted in respect of local rice project was Rs. 96,463,820 and the accuracy of the milling charge of Rs. 329,400,769 in the year under review could not be confirmed.

(v) At the end of the year under review total liabilities at the value of Rs. 1,316,339,940 exceeding the total assets and current liabilities at the value of Rs. 2,866,385,344 exceeding current liabilities of the CWE were available as at the end of the year under review and therefore the ability of the CWE to face its liabilities by its assets andgoing concern of the CWE without obtaining treasury provisions was contingent. Bank loan balances of Rs. 12,274,007,746 and payments on the special projects was the major cause for this situation.

I conducted my audit in accordance with Sri Lanka Auditing Standards. My responsibilities. under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud and error.

When preparing financial statements, it is a responsibility of the management to determine the ability of continuous operation of the institute and in case the management determines to liquidate the institute or unless take action to cease the operations in the absence of other alternative, the management is responsible for accounting based on the continuous operation and to disclose the matters on the constant operation of the institute in future.

Those charged with governance are responsible for overseeing the financial reporting process of the establishment.

As per sub section 16(1) of the National Audit Act No. 19 of 2018, the fund is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the CWE.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the authority's internal control.

- Evaluate the fairness of the accounting policies and accounting estimates used and the appropriateness of the related disclosures made by the management.

- Conclude on the appropriateness of the use of going concern basis of accounting based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. However, future events or conditions may cause the establishment to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

National Audit Act, No. 19 of 2018 includes specific provisions in respect of the following requirements.

- I have obtained all the information and explanations for the purpose of audit, as per the requirement of Section 12(a) of the National Audit Act, No. 19 of 2018 and as per revelations from my examination, proper financial records have been maintained by the institute.
- financial statements presented by the institute are consistent with that of the preceding year as per the requirement of Section 6(1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- Any recommendation made by me in the preceding year as per the requirement of Section 6(1) (d) (iv) of the National Audit Act, No. 19 of 2018 had been included in financial statements.

Based on the procedures which had been adopted and the evidence obtained which limited to matters that are material, nothing has come into my consideration to express following statements.

- As per the requirement of Section 12 (d) of the National Audit Act, No. 19 of 2018, whether any member of the governing body of the institutė has any direct or indirect interest in any contract entered into by the CWE beyond the normal course of business.

- Except for the below mentioned observation as per the requirement of Section 12 (f) of the National Audit Act, No. 19 of 2018 whether the CWE has not complied with any applicable written law or other general or special directions issued by the governing body of the establishment.

Reference to Laws / Directions	Description
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka (i) F.R. 137 and 138	Payments for vouchers at the value of Rs. 6,938,866 had been made 32 times without the approval of relevant approval and certification. Further, payments have been made for the vouchers at the value of Rs. 40,757,032, 28 times without the approval of an authorized officer.
(ii) F.R. 189	23 antedated cheques at the value of Rs. 478,700,000 which have been given by an institute for purchasing imported rice had been dishonoured and action had not been taken on the by the CWE in respect of those cheques.
(iii) F.R. 395 (c)	Even though the Bank Reconciliation statements had to be prepared before 15th of the following month, action had not been taken in respect of 08 bank accounts.

- Action has been taken against the powers, functions and duties of the institute,for the requirement of the Section 12(g) of the National Audit Act No. 19 of 2018.

- The Fund had not practised procurement in economical, efficient and effective manner during the period for the purpose of the Section 12(h) of the National Audit Act No. 19 of 2018.

2.3 Other Audit Observations

(a) As the CWE had leased its property to a value less than the market value of assessment report, an income loss of Rs. 22,429,875 had occurred to the CWE.

(b) Since the CWE failed to charge any instalment for the property at the monthly rental of Rs. 904,307 in the year under review, due rental of the CWE as at 31st of December was Rs. 8,975,350.

(c) Invoices in the values of Rs. 30,470,718 and Rs. 134,477,717 respectively had been issued on the supply of transport services without signing an agreement with a public institute or a private company for the period from January to November of the year under review and no money has been received for that during the year under review. Accordingly, the amounts of Rs. 139,645,373 and Rs. 153,111,472 were respectively from the above two companies.

(d) To bank guarantees of Rs. 100,000,000 had been obtained from a private company on loan basis by the CWE for supply of rice and the CWE had issued imported rice without getting confirmed the said bank guarantees as true, despite the company hadnot settled the loan for a long period. These bank guarantees had been identified as forged documents as at the end of 31st of December of the year under review and the amount due from the company was Rs. 118,011,334.

(e) The CWE had not taken measures to recover the short term loan of Rs. 1,000,000 which was granted to the Consumer Affairs Authority in 2011 without any agreement and its interest even by 31st of December of the year under review.

(f) The CWE has sold rice to a private company on loan basis contrary to the agreement of issuing rice on loan basis having obtained a bank security only and an amount of Rs. 5,574,811 was due from the said company.

(g) As per the board decision No. 2010/1753/34 dated 26th August 2010, even though it was informed that it been decided to confirm three executive officers who were on acting basis with effect from 01st of February 2007 with the approval of the then Minister of Cooperative and Internal Trade, the original letters of granting the Minister's approval had not been attached to the personal files of the said officers. As per a decision of the then Board of Directors an amount of Rs. 11,511,088 had been paid having calculated as salaries in arrears and increments in arrears after 08 years without approval of the present Board of Directors and the chairman and among the officers who have authorized the said payment, there were two officers who have been paid the said payments. Further to mention that these two officers have obtained the total amount of Rs. 3,718,552 at several occasions as their salaries and increments in arrears for the period they had been interdicted without obtaining the approval of the Board of Directors and the Chairman of the company.

(h) As per the Public Finance Circular 01/2014 dated 17th February 2014, even though a consolidated plan had been prepared for the period from 2017 to 2020 to achieve the vision and mission of the CWE it had not been reviewed as applicable for time.

(i) The approved staff consists of 319 officers as 21 from Managerial Level, 51 from Management Assistant Level and 247 from Primary Level and the surplus of staff was 167 while there were 32 vacancies as at 31^{st} of December of the year under review. Of these vacancies 09 were the posts of Managerial level.

(j) As per section 6.5.1 of the Public Enterprise Circular No. PED/12 of 02^{nd} June 2003, even though financial statements of the CWE should be submitted for audit within 60 days of the completion of the year under review, financial statements of the year under review had been submitted for audit on 20^{th} April 2021 and the draft Annual Report had not been presented.

W.P.C.Wickramarathana
Auditor General

23.11.2021

Auditor General
National Audit Office

Auditor General's Report on the Financial Statements of the Co-operative Wholesale Establishment for the year ended as at 31st of December 2018 in compliance with section 14(2)C of the Finance Act No. 38 of 1971

2.2. Comments on the Financial Statement

2.2.1 Going Concern of the Corporation

Going Concern of the corporation is assessed by the management of the institute and I wish to state that it could be satisfied with the available resources of the institute to continue business activities achieving the expected future goals.

In the years 2017/2018, the CWE had to import rice at a price less than the cost upon the requirement of the government and arrangements have been made by the Treasury to settle the loan to be paid to the People's Bank in 60 installments from July 2021. Legal action has been taken against the parties concerned to recover the due balance to the corporation. Lanka Sathosa has started repayment of money on 15.11.2021 for rice purchased from the CWE under the above project.

Regular attention of the management is on the going concern of the corporation and I kindly inform that every possible effort is taken to make use of resources to the maximum on the instructions on the Treasury and the Ministry of Trade.

2.2.2. Non compliance with Sri Lanka Accounting Standards

(a) Sri Lanka Accounting Standard – LKAS 08 – Accounting Policies, Changes in Accounting Estimates and Errors

Agree with the given information. Accordingly, the milling rent for the year 2017 was Rs. 290,802,512 / - and it was Rs. 38,598,256.86 in 2018. The information on computing has been referred to the Audit. A summary report in this regard is given in Annex 01.

(b) Sri Lanka Accounting Standard – LKAS 16 – Property, Plant and Equipment

(i) Co-operative Wholesale Establishment owns a large quantity of property which has located throughout Sri Lanka. Such property is revaluated in every five years of time by a Chartered Valuer. It assesses the residual value, useful life time and market value of all immovable and movable property of the CWE. .

Considering the time and cost spent on revaluation of the property of the CWE around the island every year, it is practically impossible to do it every year. Hence, the CWE is taking action to revaluate fixed assets 3-5 years according to the accounting standards.

(ii) Steps have been taken to disclose the holding value of fully depreciated fixed assets in financial statements from 2019 onwards.

2.2.3. Accounting Deficiencies

(a) The Establishment has borne no cost for the construction of the Rs. 60,000 / - building at Sangaraja Mawatha, Colombo. This section of the building was constructed by a party which has taken the land the land of the Establishment on lease. The said party had left this land a long time ago.

Control of this asset is vested with the Establishment and it could generate an income by renting out this asset. If an entity has the right to control a property, earns economic benefits from the property and computes the cost or value of the property accurately, it is capable of identifying that property as an asset according to the accounting standards.

Although the Establishment has not borne any cost for this asset, at the time of revaluation of the assets in 2015, the valuer had assessed it at the value of Rs. 60,000/- and accounted in the books as asset of the Establishment. Accordingly, I declare that it is reasonable for the Establishment today to identify this building as an asset and accounting it.

The over-calculated depreciation on this asset has been adjusted through the accounts of 2019 accounts. Since this happened due to a change in the accounting estimates and the accounts have been corrected by making adjustments through making allocations for depreciations in 2019.

(b) The CWE has borne no cost for this building. The market value of Rs. 360,000/- given by the valuer in revaluation of assets in 2015 is indicated as assets in the accounts. The building is being used at present to generate income under the control of the Establishment. Therefore, since the building is not owned by a third party and the land is owned by the CWE, the building is controlled by the Establishment and the economic benefits of the building is are gained by the Establishment and the valuer has accurately calculated the market value of the building, this building has been identified and accounted as an asset of the CWE.

(c) It has been accounted rectifying this error in 2019.

(d) This stock which doesn't have physical value, has been entered in financial statements as a stock of building materials continuously since 2004. In case of writing off this value from the financial statements, permission must be obtained from the Treasury and until then the stock must be stated in the financial statements. This stock will be presented to the writing off committee in future and take action to write off from the accounts after obtaining the approval of the Treasury.

(e) This matter was discussed with the Valuer. According to his statement, the accounted values and the values mentioned in the fixed assets register are correct. The area mentioned under No. 07 in the valuation register was 57.7 and it was assessed at the value of Rs. 8 million and it has been indicated in the valuation report as Rs. 7 million. . A draft of the valuation report is available and the valuer agreed to make arrangements correct it and submit to the CWE as soon as possible. Hence, I kindly inform that action will be taken to submit the report to the Audit Division as early as possible. I also kindly inform that the values of the assets shown in the Fixed Assets Register are correct and those balances have been accounted accurately.

(f) The market value of 2944 sqft of land has been computed and stated as Rs. 1,200/- in the draft valuation register. However, as per the note made by the valuer in that report, it has been informed that rental could not be computed under the circumstances prevailed at that time accordingly, the property has been assessed valued at the value of Rs. 400 / -. This has not been accurately entered in the valuation report and accounting and stating in the asset register had been properly done. Hence, the valuer agreed to provide an accurate report and we kindly inform you that the said report will be submitted to the Audit Division as soon as possible and accurate balances have been accounted.

(g) The valuation value mentioned in the draft valuation report for the security room of the head office is Rs. 475,300 / -. The valuation report states that the bicycle park at Sathosa Motors does not belong to Sathosa. Hence, the estimated value of Rs. 25,000 / - has not been added to the accounts.

Even though the market value of the 280 sqft of the security room has been computed as Rs. 1,697.50 and stated in the valuation report, subsequently the market value has been reduced to Rs. 1,225 / -. I kindly inform you that this correction will be made and the relevant report will be submitted to the Audit Division as soon as possible. I further kindly inform you that the accurate balances have been accounted.

(h) According to the draft report, even though the car park of the head office has been shown without any value, its market value is estimated at Rs.50/- and Rs.94,500 / - is calculated for 1890 sqft. The valuer stated that this value was accurate and the rectified valuation report. Accordingly, I kindly inform you that this correction will be made and the relevant report will be submitted to the Audit Division as soon as possible. I further kindly inform you that the accurate balances have been accounted.

(i) In order to identify an asset in the balance sheet as per the accounting standard, that asset must flow future economic benefits into the institution. Further, such asset should have a cost or a value that could be reliably affirmed.

All postages have been paid and the plot has been reserved for freehold of CWE. Deeds are granted for this through Condominium Management institutes and it has informed us that deeds have not been issued to the area of Vithanage Mawatha and the owners of the other lands are making payments in installments and all deeds are granted once every owner has settled the payments. Therefore, I kindly inform you that the CWE has the documents to prove that the above property is owned by the CWE and the building has been occupied by CWE and income is earned by renting out it.

It completes the basics required to be identified as an asset in the balance sheet and we have the documents indicating that Rs. 12,600,000 / - has been paid as the specific cost for those assets. Further, economic benefits will flow to the corporation by the rental. Therefore, I state that this is an asset of the CWE and that the depreciated amount calculated on it has been properly accounted in the relevant year and it is not an over-stating of money. In addition, rental income of this asset has also been indicated under rental income and depreciated value calculated on the asset relative to the income should be accounted. Therefore, I wish to inform you that this asset has been accounted correctly.

(j) The valuer stated that the market value of the 15 items herein mentioned was later corrected and that the ownership of the land was in the possession of another party and the draft valuation report should be corrected accordingly. Further, I kindly inform you that the accurate balances have been accounted.

(k) This matter was discussed at the meeting of the Audit and Management Committee held on 16.03.2021. It was stated that the General Manager had the related Cabinet Memorandum related to this transaction and other letters. The Committee advised the General Manager to forward all such information to Lanka Sathosa and to provide Lanka Sathosa with any other information required for accounting of these transactions. Accordingly, I wish to state that the General Manager has submitted this information to the Lanka Sathosa. Will take action in future accordingly.

(l) The due withholding tax in 2018 has been accurately accounted for in 2019. Information relevant to those calculations has been submitted for audit.

(m) This balance has been prepared according to Annex 02. Rs. 1,039,739/ - which is the balance of the receivable interest income included in the ledger since 2011. This balance will be reconciled with the banking statements from 2011 and will take necessary action to correct it in future financial statements.

(n) These balances have prevailed from the accounts since 2004 and sufficient documents are not available in Finance Division to reconcile those balances. Hence, necessary measures will be taken to accurately account the interest income receipts of the relevant financial year and to accurately reconcile the identifiable balances in the ledger accounts from 2011 onwards with the bank statements for future financial statements.

(o) According to the rental income account maintained in the Finance Division, the total income for the year 2018 is Rs. 230,716,982.11.The way that value has been prepared is referred to the Audit Division as Annex 01. Accordingly, the invoices of rental which have not been submitted to the Audit Division have now been submitted to the Audit Authority.

(p) The invoices of Rs. 9,816,543/- available in the CWE for rental income of 2018 have been referred to the Audit.

(q) This balance has been submitted accurately in the accounts of 2019.

(r) Sathosa has leased 100 *Battu* Lorrie in the year 2014. As the project had come to a halt, 99 vehicles of the said Lorries were handed over to the Bank of Ceylon Leasing Company. Only one lorry has to be handed over and legal action has been taken to obtain that lorry. There is no written evidence that this lorry is decaying on the road and the person who obtained the lorry has not given any verbal or written notice that the lorry is unserviceable condition. Under these circumstances, the Board of Directors or the management of the CWE has the legal or practical ability to adjust the accounts of that lorry.

However, legal action has been taken against this person and action has been taken to recover the value of the lorry and the daily income value due to the CWE. Hence, I would like to inform you that there is no need to write off or adjust this lorry from the accounts.

(s) The loss of these projects was not affected by the adjusting 7543.51 bundles of the 5 kg rice accounts of rice mentioned here. All purchases of this imported rice project have been accurately accounted. That includes the cost of these bundles of rice. The sale cost is calculated by removing the stock in hand from these wholesale purchases. The cost of the 7543.51 rice bundles mentioned here is included in the sales cost.

These bundles of rice are shown in these accounts as sales. Therefore, these adjustments had made no impact on project losses. The income and expenses related to these bundles are accurately indicated.

When identifying this inventory as damaged inventory, adjustments should be made having removed that value from the sale cost. The Finance Division has not yet received any advice or approval to identify damages to stocks. Since these properties fall into the category of state property, the Financial Division does not have the authority to write off damages of stocks from accounts.

The recommendation given by the Audit will be discussed in the next Audit and Management Committee and the recommendations will be submitted to the Board of Directors and the relevant adjustments will be made after obtaining the proper approval.

(t) Final stock verification of stores was carried out on 31.12.2018. There were 183,344.10 Kg of unusable rice stocks in stores and that stock was included in wholesale cost purchases of 2018.

These stocks were sold in 2019 as animal food. Since the stock was sold at a price less than the cost, the difference between the cost and the selling price has been deducted from the final stock value in the accounts of 2018. The information regarding the NRV calculation thus done has already been forwarded to the Audit Division and I hereby refer to it again as Annex 02.

As this value is included in the wholesale cost purchases in 2018, the stock has been deducted from the stock for the year corresponding to the market value and accurately indicated in the financial statements. The amount of Rs. 6,291,616.33 which is the non-realized value stated within the cost of the said adjustment has been indicated as NRV adjustments of the imported rice project in accordance with Accounting Standards.

(u) Stevedoring fees were paid for the following two ships of rice imported by CWE from India in December 2017.

AL Mothana	Rs.	14,455,150.00	Ponni Samba
M.V.Taj	Rs.	8,963,057.46	Nadu

These payments are included in import of rice in 2017. This amount was made to Rs. Payments were made to the Ceylon Shipping Corporation and they paid the amount to the Sri Lanka Ports Authority. The corporation has issued an invoice to the CWE for this purpose. Therefore, considering this as a direct expense and is included in the purchase cost of the accounts in 2017.

However, we have been informed that the following amounts are to be paid to the CWE by the Ceylon Shipping Corporation.

AL Mothana - Rs. 4,369,861.90
M.V.Taj - Rs 1,658,492.83

Accordingly, the Shipping Corporation has to pay Rs. 6,028,354.73 to the CWE. After the corporation informed in this regard to the CWE, the amount due in the accounts of 2018 has been accounted for as other income under the Imported Rice project.

As stated by Audit Division, if the CWE had been informed of the due amount at the time of preparation of the accounts in 2017, action could have been taken to remove the imported rice from purchases. However, this amount has been included in the project as other income as there is no cost of rice for this payment in the purchases of 2018 and the impact on the overall project profit / loss should be revealed in the accounts.

This is a defect of the presentation of these payments in financial statements and I wish to inform that this transaction makes no impact on the profit or loss of the entire project.

(v) The CWE has not purchased rice from SGS Lanka Ltd. which served as agent of surveying of imported rice of this project. Even though SGS Indian Ltd has confirmed that it has imported rice stocks at the value of Rs. 9,660,965.75, those stocks have not been imported. SGS Lanka Ltd. has confirmed it.

However, based on the said certification we settled the payment of the relevant suppliers and that value is included in the purchase value. As stated by the Audit Division, in order to remove the amount of Rs. 9, 660,965.75 from the purchase value, the suppliers who obtained the relevant amount have to repay the money to the CWE. But that amount was provided by the surveying institute.

We make payments to suppliers based on shipping documents and purchasing invoices. It is equal to the value of the letters of credit that we started with People's Bank. In order to remove from these bulk purchases, return of a stock should be identified as a damage of the stock and this amount was not received for that.

Purchasing invoices of the relevant suppliers and the bank documents related to the exchange transactions paid by Sathosa are in our possession for submission to the audit for purchase value. Therefore, no adjustments could be made to the purchase value.

This amount was paid by SGS to Sathosa. They have paid this amount to Sathosa due to incorrect information in their surveying reports. As this could not be considered directly as a wholesale sale, the amount was accounted as other income under the Imported Rice Project.

The impact on the profit / loss of the project has been properly adjusted through the accounts. This is only an error in the presentation of the financial statements.

(w) By-products possessed by Hingurakgoda and Pannegamuwa Sathosa Paddy Mills as at 31.12.2018 are given in Annex 04. Accordingly, Pannegamuwa store has 26,208 Kg and the Hingurakgoda store has 22,421 kg with a total stock of 48,629 kg.

The cost of purchasing paddy under the Rice Processing Project and the rent on milling cost include the cost of these by-products.

The cost of these by-products, namely, broken rice, bran, and crushed rice, cannot be calculated separately. This project was implemented for processing paddy into rice and not for, production of crushed rice, broken rice and bran.

When the cost of by-products is adjusted I accounts, according to the accounting standards it has been recommended to identify the proceeds from the sale of by-products as extra income without adjusting their wholesale value.

Hence, I wish to state that these stocks have been properly accounted and financial statements have been prepared.

(x). i) When preparing the accounts of 2018, the Corporation informed the subsidiaries to submit the financial statements of the companies by December 31 with the approval of the Board of Directors.

However, as they had prepared the accounts as at 31st of March and submitted to the Board of Directors, the financial reports submitted for the preparation of consolidated accounts were certified by the Head of Finance and forwarded to Sathosa.

v) The total of the administrative expenses as stated in the consolidated financial statements referred to us by Sathosa Construction and Engineering Company as Annex - 03 is correct.

(y) These balances are the balances which have been indicated in the ledger accounts for a long time. The will be examined and will be used relevant adjustments when preparing financial statements in future.

2.2.4. Unavailability of Evidence for Audit

(i) Due Balance from a court case – Rs.25,900,236/-

Information about the rice included in this value is included in the Stock Receipts (SR) handed over to the 3rd, 6th and 9th warehouses at Orugodawatta. At present the originals of these documents have been handed over to the Criminal Investigation Department for further investigation. Copies of those documents are available in Finance Division and they have been submitted for Audit. The Internal Auditor of the CWE has conducted an investigation in this regard and submitted the report to the General Manager. Accordingly, he has submitted the report to the CID for investigation. The case is being investigated by the CID under case number B-29743.

The report on the relevant cost calculations according to the type of rice belonging to those stocks to be audited as **Annex-04**. The total amount spent on the importation of rice has been used for these calculations and I kindly inform you that all the relevant information has already been examined by the Audit Division. In addition, I would like to inform you that further explanations or audit evidence may be provided.

(ii) Due balances to the Treasury

- **Settling of loans – Rs.98,718,402/-**

The loan obtained from the People's Bank by 2006 for purchasing essential food items was Rs.207, 097,943 / -. The loan amount was Rs.207, 050,943 / - in 2008 and when it was discussed to obtain letter of comfort from the People's Bank it was stated that the Bank had settled Rs. 98,718,401.75 has been settled by the Treasury. They have sent a letter confirming the loan amount to be paid by the CWE and accordingly these adjustments were made in 2016.

The said loan was to be repaid by the CWE to the People's Bank, and the adjustment was made as the CWE had to pay the Treasury as it had already been

However, I will take the necessary action to obtain the approval of the Board of Directors of those companies for the financial statements submitted for the preparation of the Consolidated Accounts of 2019/2020.

ii) I submit the financial statement given to us by Sathosa Construction and Engineering Company for the year 2018 to the Audit Division as Annex - 05. They have prepared the revised financial statements for the year 2017/2018 in the year 2021 and re-submitted to the Sathosa on 20.05.2021. We have submitted to the Audit Division the financial statements of 2018 that the company later submitted. According to the report, the intangible assets were listed separately in the balance sheet, but according to the financial reports submitted by that institute to Sathosa when preparing those financial statements for the year 2018, the intangible assets were included in the property, plant and equipment.

When preparing the financial statements of 2019, the adjustments in the financial statements of the years 2017 and 2018, which were corrected and submitted by Sathosa Construction and Engineering had been used to prepare the consolidated accounts and had been accurately reported in the financial statements.

iii) Security charges given to the CWE by Sathosa Economic Centre Services Ltd. are under mentioned.

Security Charges for 2018	Rs. 21,787,902.88
15% VAT	Rs. 3,263,542.33
Total Invoice Value	රු. 25,051,445.21

As per the invoices of said company referred to Sathosa, we have included information required for ledgers.

Security Expenditure of the group has got a minus value since security expense with VAT have been deducted from the security expenses. That minus value is VAT of security charges. Will take measures to rectify this error of presenting security expense from the entries which are shown details of 2018 in the account entries of 2019.

iv) We have referred the financial statements rectified by Sathosa Construction and Engineering Company to the Audit Division on 20.05.2021 and the accounts reports sent by that entity which we used to prepare consolidated accounts of 2018 are submitted for audit as **Annex – 03**. As per the Accounts Reports the total of the trade and other receivables agree with the balance indicated in consolidated financial statements.

v) The total of the administrative expenses as stated in the consolidated financial statements referred to us by Sathosa Construction and Engineering Company as Annex - 03 is correct.

(y) These balances are the balances which have been indicated in the ledger accounts for a long time. The will be examined and will be used relevant adjustments when preparing financial statements in future.

2.2.4. Unavailability of Evidence for Audit

(i) **Due Balance from a court case – Rs.25,900,236/-**

Information about the rice included in this value is included in the Stock Receipts (SR) handed over to the 3rd, 6th and 9th warehouses at Orugodawatta. At present the originals of these documents have been handed over to the Criminal Investigation Department for further investigation. Copies of those documents are available in Finance Division and they have been submitted for Audit. The Internal Auditor of the CWE has conducted an investigation in this regard and submitted the report to the General Manager. Accordingly, he has submitted the report to the CID for investigation. The case is being investigated by the CID under case number B-29743.

The report on the relevant cost calculations according to the type of rice belonging to those stocks to be audited as **Annex-04**. The total amount spent on the importation of rice has been used for these calculations and I kindly inform you that all the relevant information has already been examined by the Audit Division. In addition, I would like to inform you that further explanations or audit evidence may be provided.

(ii) **Due balances to the Treasury**

- **Settling of loans – Rs.98,718,402/-**

The loan obtained from the People's Bank by 2006 for purchasing essential food items was Rs.207, 097,943 / -. The loan amount was Rs.207, 050,943 / - in 2008 and when it was discussed to obtain letter of comfort from the People's Bank it was stated that the Bank had settled Rs. 98,718,401.75 has been settled by the Treasury. They have sent a letter confirming the loan amount to be paid by the CWE and accordingly these adjustments were made in 2016.

The said loan was to be repaid by the CWE to the People's Bank, and the adjustment was made as the CWE had to pay the Treasury as it had already been repaid by the Treasury. The letter sent by the bank confirming the loan balance is attached as **Annex-05**.

- **Restructuring of Loans – Rs.275,000,000.00**

The loan amounting to Rs. 275,000,000 / - granted by the General Treasury to purchase of trade items in 2006 has been accounted by the People's Bank as (Trust Receipt) TR Loan since 2008 under the restructuring scheme.

It was advised to account this amount as payable loans under the accounting deficiencies of the Auditor General's report of 2016. Accordingly, when presenting the accounts of 2017 we have properly rectified the account of 2016 and submitted them for audit. I kindly inform you that the CWE Finance Division does not have the value confirmation documents related to these transactions which were made in 2006.

- SRL - **Creditors - Rs. 655,000,000.00**
  - Bank liability – Rs. 225,000,000.00
  - Received sales – Rs. 680,000,000.00

The CWE Retail Ltd. was liquidated in 2003 and these balances are disclosed from the financial statements 2003 onwards.

I wish to inform that no documents are available in the Finance Division to confirm the value of these transactions took place before 18 years.

(iii) **Long Term due balances of trade debtors Rs.6,214,481/-**

This balance has been generated as the total of 14 long term debt balances **(Annex 06)**. Each of these ledger accounts has prevailed before 2011 and has been submitted for audit every year. Documents for years prior to 2011 are not available in the Finance Division at present.

Legal action is being taken to recover money from SZECHUAN HOUSE .Will take action to further investigate the balances of which their transactions were started from 2011, reconcile them, to check whether they are available in the stores of the Finance Division and to submit them. These balances have come forward for many years and since it takes a considerable time to check them will take measures act as appropriate in the future financial statements.

(iv) **Long Term due balances of trade – Impairment Rs. 6,214,481/-**

Will check whether these balances have been submitted to the Board of Directors for approval on impairment and inquire from the relevant divisions and if such approval has been obtained, will take action to refer to the Audit Division.

(v) **Long Term due balances of other debtors Rs. 170,370,348/-**

Information on the ledger account balances and time analysis on which this balance has been generated is annexed herewith as **Annex 07.** These balances are indicated in the accounts from the time prior to 2011 and it impossible to check the ledger accounts for the previous years as only the ledger account balances have been included from 2011 in the Busy system in which we presently carry out accounting activities.

Since the account balances that have remained unchanged since 2011 have been in the accounts for a long time, will take the necessary steps to write off from the accounts. Reservations have been made for impairment as the Accounts Division does not have the source documents to prove those balances and as it is impossible to recover them.

Will take action to further investigate the balances, of which their transactions were started from 2011, reconcile them, to check whether they are available in the stores of the Finance Division and to submit them. These balances have come forward for many years and since it takes a considerable time to check them will take measures act as appropriate in the future financial statements.

(vi) **Long term due balances of other debtors – Impairment – Rs. 170,370,348/-**

Will inquire from the relevant divisions about the approval obtained in this regard and if such approval has been obtained, will refer it to the Audit Division.

(vii) **Other Debtors *Gamata Saviya* Project - Rs. 42,568,994/-**

This balance has been generated by adding the account balances mentioned in **Annex 08**. This project was carried out during the period 2014/2015. Relevant invoices and receipts were referred for audit in those years.

Will check the availability of those documents in the stores of the Finance Division and submit them. As these balances have prevailed for many years, it will take some time to examine them and will take steps as appropriate in future financial statements.

(viii) **Long term due balances of debtors on rent – Rs. 88,071,071/-**

Information on the ledger account balances and time analysis on which this balance has been generated is annexed herewith as **Annex 09**. These balances are indicated in the accounts from the time prior to 2011 and it impossible to check the ledger accounts for the previous years as only the ledger account balances have been included from 2011 in the Busy system in which we presently carry out accounting activities.

Since the account balances that have remained unchanged since 2011 have been in the accounts for a long time, will take the necessary steps to write off from the accounts. Reservations have been made for impairment as the Accounts Division does not have the source documents to prove those balances and as it is impossible to recover them.

Will take action to further investigate the balances, of which their transactions were started from 2011, reconcile them, to check whether they are available in the stores of the Finance Division and to submit them. These balances have come forward for many years and since it takes a considerable time to check them will take measures act as appropriate in the future financial statements.

(ix) **Due balances from the related parties - CWE Retail Ltd. Rs. 110,878,720/-**

The above institution had been liquidated since 2003 and the CWE received only Rs. 42,623,064.07 in connection with this in 2013. As it is impossible to recover the balance amount of Rs. 110,878,720/- , reserved for impairment as per the relevant accounting standards. Kindly inform you that at present the CWE Finance Division does not have the documents related to the transactions that took place in the year 2003 and earlier.

Therefore, I kindly inform you that CWE does not have any documents regarding the balance due as requested by the Audit Authority. I will report this value to the writing off committee in the future and take action to write off it from the accounts.

(x) **Long term due balances of trade debtors – Rs. 3,519,166/-**

I present the manner in which this balance has been generated and the time analysis as **Annex 10** for audit. Will check whether the relevant invoices for these balances are available in the warehouses of the Finance Division ànd herewith refer them for audit.

(xi) **Long term due balances of other debtors – Rs. 187,678,063/-**

This balance is calculated by adding the account balances mentioned in **Annex 11**. These balances are indicated in financial statements prior to 2011. As the source documents for this are not in the possession of the Accounts Division, will submit this balance to the Writing off Committee and make the necessary arrangements to write off it from the accounts.

(xii) **Due Value Added Tax (VAT) Rs. 150,812,239/-**

This balance is calculated by adding the account balances mentioned in **Annex 12**. It is clear from the documents sent to us by the Inland Revenue Department (IRD) that CWE has not paid taxes since 1995. Accordingly, we discussed with the officials of the Inland Revenue Department about the relevant taxes for each year. After that Rs. 126,106,615.90 has been paid as VAT for the period from 2017 to 2021 for the taxable period of 1995-2016.

- 1995 – 2009 : - Rs. 103,987,435.26
- 2010 – 2015 :- Rs. 8,373,619.93
- 2016 : - Rs. 13,745,560.67

CWE does not have to pay VAT because of the huge amount of input tax paid as income tax on the imported rice project in 2017/2018. The amount of tax calculated for the year 2019 is accurately stated in the VAT Account of that year. CWE has been exempted from the above tax since 2020 and we wish to inform you that, it is not paid at present. The Value Added Tax Accounts payable for the year 2019 are accurately adjusted and stated in the financial statements. The relevant file in connection with calculating tax is enclosed herewith.

(xiii) **Due tax at present - Rs. 161,833,614/-**

This balance has been generated by adding the account balances mentioned in **Annex – 12.** The income tax payment mentioned under this is Rs.7, 389,359 / - from 2013/2014 to 2016/2017. Computation of tax for these four years is given below.

2013/2014	Rs.2,474,109.00
2014/2015	Rs.2,860,143.00
2015/2016	Rs.1,215,276.00
2016/2017	Rs. 839,831.00
	Rs.7,389,359.00

This amount has been paid on 02.08.2021. I hereby submit the relevant tax file for audit.

Due to the losses incurred by the CWE in the tax years 2017/2018 and 2018/2019, there is no income tax liability for that period. These accounts have been corrected and the financial statements for the financial year 2019 have been prepared correctly.

In addition, the Inland Revenue Department has informed us that other taxes have to be paid as mentioned in **Annex-13** for the period 1995/2009. The amount of tax payable is Rs.126, 776,795/- while the amount of tax imposed on it is Rs.98, 945,707 /-. Accordingly, the total tax amount to be paid is Rs. 225,722,502 / -. The statement of tax for the year 1995-2009 is unavailable in the Finance Division to check the accuracy of the above taxes. However, we have informed the Inland Revenue Department that the company is not capable of paying this amount.

(xiv) **Deposits and Advances**

- **Present Balance - Rs. 15,885,549/-**

This balance has been generated as follows.

- **Rental Deposits - රු.1,000,000/-**
  This is the deposit made by Sathosa to Anwer Hardware in the year 2016. This amount has been given by the cheque No. 707613 dated 06.04.2016 through the voucher No. PM16 / 706/00063 . Related source documents have been sent to the Audit Division in 2016. It could be returned if required.

- **Advances – Rs. 130,980/-**
- **Advances (Other) - Rs. 32,000/-**

  Advances are amounts made to employees for daily repairs. emergency purchases, and travel expenses with the approval of the General Manager on the recommendation of the Head of Division. Since, all payment vouchers are submitted for the audit activities in each year, these payments have been submitted for audit in the past. All the vouchers of the said amount have been sent for audit in 2018.

- **Refundable deposits (fuel) – Rs. 1,750,000/-**

  These are the deposits which have been made selected companies by Sathosa to refuel Lorries of Sathosa transport division. This balance has been generated as follows.

  An amount of Rs. 1,500,000/- was deposited in C.F. De Mel & Sons (Pvt) Ltd on 01.01.2014 through the voucher No. PM14/707/0001 by the cheque No. 636208 .

  An amount of Rs. 250,000/-was deposited in Nelson Auto Services, Kurunegala on 0.06.2016 through the voucher No. PM16/706/00260 by the cheque No. 707835 .

- **Refundable deposits for containers - Rs.12,857,569/-**

  . This balance includes refundable container deposit payments made by Sathosa to shipping companies for rice containers imported in 2017/2018. After taking the container to the warehouse and handing over the container to the shipping company's container warehouse and submitting their report to the shipping company, the shipping company will refund the deposit to Sathosa. The file containing the information regarding such deposits has been referred to the Audit Division on 05.10.2021.

- **Rental Deposit - Rs. 115,000/-**

  This balance has been generated as follows.

- Building Rental in Jaffna/ Killinochchi Rs. 10,000/- (Has been paid on 03/07/2017 Through voucher No. PM17/709/0157 by the cheque No. 577022)
- Building Rental in Jaffna Rs. 10,000/- (Has been paid on 03/07/2017 Through voucher No. PM17/709/0160 by the cheque No. 577025)
- Advance on rental of Rs. 5,000/- was paid on 07.07.2017 from the advance of 2017/0025.

- **Long term balance – Rs. 29,692,440/-)**

This balance has been generated as the total of the balances in accounts given in Annex **14.** These balances are indicated in the accounts from the time prior to 2011 and it impossible to check the ledger accounts for the previous years as only the ledger account balances have been included from 2011 in the Busy system in which we presently carry out accounting activities.

Since the account balances that have remained unchanged since 2011 have been in the accounts for a long time, will take the necessary steps to write off from the accounts. Reservations have been made for impairment as the Accounts Division does not have the source documents to prove those balances and as it is impossible to recover them.

xv. **Receivable Interest Account – Rs. 3,851,521/-**

This account has been entered in ledger accounts since 2013. This is a balance prevailed since 2015.

Since the ledger accounts have to be checked from 2013 to reconcile the balance, the balance is indicated in the same accounts. Will reconcile that balance in future and rectify the accounts

xvi. **Balance of Cash in Hand within Cash and Cash Equivalents - Rs.3, 129,264/-**

The Audit Division has been provided with the facility of referring the Cash Book of 2015. I kindly inform you that it is possible to check the transactions in the cash book.

xvii. **Balance of Fixed Deposits - Rs. 5,882,416/-**

This information has been sent to the Audit Division with the answer to the audit query No. TCM/C/CWE/2/2018/AQ/1.

xviii. The said e institution had been liquidated since 2003. I kindly inform you that at present the CWE Finance Division does not have the documents related to the transactions made in the year 2003 and prior to that.

Hence, I kindly inform you that the Corporation does not have any documents regarding the balance due as requested by the Audit Authority. This will be reported to the writing off committee in future and take action to write off it from the accounts.

2.2.5. Unreconciled Administrative Accounts

(a) When financial statements were prepared in 2017 as per the documents given to the Finance Division the balance was Rs. 71,984,473/-. When preparing accounts in 2019 the balance was Rs.79, 915,868.73 and relevant allocations were accounted accurately in the accounts of 2019The liability is as follows.

2016	Rs. 61,629,620.79
2017	Rs. 10,354,852.00
2018	Rs. 7,679,354.74
2019	Rs. 252,041.20

The letter which confirms the said balance is submitted as **Annex - 15**.

(b) The reason for this difference is given in Annex - 16. The amount allocated by the 2018 financial statements for the payment of interest for the year 2018 as stated in the bank statements for the year 2019 was Rs.40,412,162 / -. The interest to be paid for that amount was reserved. However, the Bank sent us the certificates of interest payable on 18.02.2021. Accordingly a difference of Rs.10, 178,807 / - was observed. The loan amount due to the bank as at 01.08.2019 was Rs.5, 453,101,924 / - and the accrued interest and penalty payable up to that date was Rs.312, 080,049.20. This interest amount includes Rs. 10,178,807 / - which is the unpaid interest of 2018. This accrued interest and penalty will be added to the loan payable from 01.08.2019 and re-estimated by the Bank as a one-time loan. Therefore, the loan amount to be paid back has been accounted for as Rs. 5,765,181,973 / -.

In case the accrued loan interest for the year 2018 is written off from the loss and profit account for the year 2018, then the amount cannot be added back to the loan amount and only the loan interest paid in 2019 is adjusted with the profit of the loss and profit account of the year 2018 and the further payable amount of Rs. 10,178,807/- is added to the loan amount due for the year 2019. I kindly inform you that further confirmations in this regard could be submitted if required.

(c) These balances include the penalty interest charged by the bank on non-payment of interest due on the loan. Also, since it is difficult to calculate the penalty interest rate for each loan, the relevant penalties are charged at the same time under one loan interest. Therefore the balances mentioned in the financial statements under the loan numbers given here vary with the balance in the bank confirmation letter.

(d) An amount of 53,835,840/= was received to Sathosa as subsidy for canned fish in 2018. The relevant receipt numbers and the numbers and values of the cheques received from the Treasury are under mentioned.

Date	Receipt No.	Cheque No.	Amount
30.01.2018	CWE 100/18/0056 (No -10914)	059640 (This cheque has been deposited in the Commercial Bank Account 706)	Rs. 21,124,800.00
9.05.2018	CWE 100/18/0274 (No – 012079 / 012080)	063501 } 063502 (This cheque has beei deposited in the Commercia Bank Account 706	Rs. 15,592,320.00
26.12.20188	CWE 100/18/0760 (No – 013305)	077139 (This cheque has been deposited in the Sampath BANK Account)	Rs..17,118,720.00

The total of these receipts is Rs. 53,835,840/- .The four receipts pertaining to this value and ledger account are referred for audit (**Annex- 17).** This balance has been accounted correctly in the financial statements of 2018.

2.2.6 Controversial Transactions

(a) These account balances were prevailed from 2011 to 2015 and a report will be submitted after the reconciliation of balances.

(b) Necessary calculations required to prove the accuracy in calculating general leakages of this project have been referred to the audit division.

As a large number of rice mills settled their accounts in 2018, I wish to inform you that this value increased in 2018 as compared to 2017. I kindly inform you that all the information in this regard can be obtained by checking the payment vouchers on milling payments for the year 2018 and all the vouchers have been forwarded to the Audit Division.

3. Financial Review

3.1. Financial Output

The 2017/2018 Rice Import Project was carried out by the CWE on the request of the Government, which had been advised the CWE to sell rice at an amount lower than the cost. Accordingly, it has been informed that the loss of this project will be borne by the General Treasury as per the Cabinet Decision No. CP /18 /0572 /752 /003 – iii. Thereafter, as per the Cabinet Decision No. CP/19/0871/115/018 issued by the Ministry of Finance to the Corporation on 10.04.2019, it was stated that the General Treasury will provide funds to the Corporation under the 05 year budget allocation to repay the loan. It was also stated that the money should be capitalized.

According to that decision, the loss of import projects in 2018 had to be adjusted to the profit of the CWE without shifting it to the treasury. This loss occurred not due to inefficiency or mismanagement of the CWE but due to the need to act in accordance with the requirements of the Government and the loss incurred due to the Cabinet approval to re-shift the loss which had been agreed to be borne by the General Treasury.

3.2. Submission of Financial Statements

Agreed. Arrangements will be made to submit financial statements as at the due date in 2022.

3.3 Not implementing the recommendations of the Auditor General's Report in the previous year

Subsequent to implementation of the recommendations given in the Auditor General's Report for the year 2018action will be taken to submit the financial statements for the financial year 2019.

Yours Faithfully

Venura Gunawardhana
Chairman
Cooperative Wholesale Establishment